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What's behind his Southam strategy
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Hong Kong insiders sign up with Beijing
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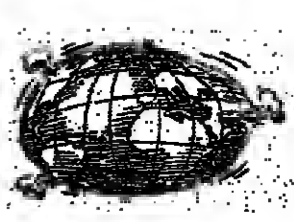

The world economy
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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY MARCH 25 1993 D8523A

France and UK forced to cease Bosnia air rescue

French and British helicopters, which had started to evacuate Moslem civilians from the besieged enclave of Srebrenica in eastern Bosnia, were forced to suspend operations just hours later because of heavy Serb shelling of the town. The mission was halted shortly after two British helicopters evacuated two Canadian soldiers of the United Nations peacekeeping force who had been wounded by Serb gunfire. Earlier, Serb shells had killed a civilian only minutes after three French helicopters had taken off with 21 wounded Moslems on board. Meanwhile, UN special investigator Tadeusz Mazowiecki (left) said the siege of Srebrenica was another example of "ethnic cleansing" in Bosnia. Page 16

FBI arrests bomb suspect in Egypt: The alleged mastermind of the World Trade Center bombing was being brought back to the US after 10 days in an Egyptian prison, officials and his brother said. FBI agents took into custody Mahmud Abu-Halima, a 34-year-old taxi driver, said to be behind blast that killed six on February 26.

Norway go-ahead to join EC: The European Commission cleared the way for Norway's application to join the European Community. Accession talks are expected to open formally when EC foreign ministers meet on April 5. Page 16

Belgium lifts rates: Belgium's central bank had to raise official interest rates to support the franc, after the resignation of the coalition government triggered strong selling of the currency inside the European exchange rate mechanism. Page 16; Editorial Comment, Page 15; Currencies, Page 32

US and Japan deadlocked: The US and Japan are deadlocked on setting new market share targets for semiconductor trade, with Japan refusing to agree to the use of any quantitative measure for foreign access to the $30bn Japanese semiconductor market. Page 16; Tokyo rebuts criticism by Clinton, Page 4

Greenspan urges spending cuts: The US Federal Reserve chairman Alan Greenspan urged greater reliance on spending cuts as a way to reduce the deficit rather than higher taxes. Page 7

Nigeria warned to cut debts: Western creditor governments warned Nigeria that new loans might dry up if it failed to reduce its $3bn-$4bn arrears on official debt repayments. Page 6

Barclays, said it was starting a worldwide search for a new chief executive from outside the bank. Page 17; Observer, Page 15

Nestlé, the world's largest foods group, saw consolidated net profit rise 9.2 per cent last year, more than expected. Page 17

More defections to VW: Six European colleagues of José Ignacio Lopez de Arriortua, the Spanish purchasing chief who left General Motors last week to join Volkswagen, have also resigned from GM to join him at the German car manufacturer. Page 17

Reuters, the international information and news group, is considering ways of returning some of its £710m ($1.05bn) cash pile to shareholders - probably through a special dividend or share buy-back scheme. Page 16; Lex, Page 16

Keating appoints new faces: Paul Keating, the recently re-elected Australian prime minister, promoted six backbenchers to the cabinet in a reshuffle designed to keep the Labor party in government for the rest of the decade. Page 6

EC telecoms groups talks: Senior executives of EC telecommunications operators meet in Brussels today to discuss European Commission plans to open domestic and international telephone calls to full competition by 1998. Page 2

Berlin cleared of 'sweetening' Sony: The European Commission decided that Berlin city authorities did not "sweeten" unduly a 1991 property deal with Sony, to persuade the Japanese electronics manufacturer to move its European headquarters to a prime city centre site. Page 3

Pulitzer prizewinner dies: John Hersey, whose works described the devastation of the second world war, died of cancer in Florida, aged 78. He won the Pulitzer prize for fiction in 1945 for his novel *A Bell for Adano*.

STOCK MARKET INDICES		
FT-SE 100:	2800.8	(-0.5)
Yield	4.24	
FT-SE Eurotrack 100	1139.86	(-0.89)
FT-A All-Share	1405	(-0.1%)
Nikkei	18,450.83	(-40.93)
New York lunchtime:		
Dow Jones Ind Ave	3451.32	(-10.54)
S&P Composite	447.24	(-0.92)

US LUNCHTIME RATES	
Federal Funds:	$2\frac{7}{8}$%
3-mo Treas Bills: Yld	2.96
Long Bond	104$\frac{3}{32}$
Yield	6.79

LONDON MONEY		
3-mo Interbank	6$\frac{1}{16}$%	(same)
Liffe long gilt future:	Jun 105$\frac{13}{32}$	(Jun 105$\frac{3}{8}$)

NORTH SEA OIL (Argus)		
Brent 15-day (May)	$18.67	(18.38)

Gold		
New York Comex (Apr)	$332.7	(332.3)
London	$331.45	(331.25)

STERLING		
New York lunchtime:		
$	1.4835	
London:		
$	1.4825	(1.4835)
DM	2.415	(2.42)
FFr	8.2125	(8.2375)
SFr	2.235	(2.2425)
Y	173.25	(171.75)
£ Index	78.9	(same)

DOLLAR		
New York lunchtime:		
DM	1.6279	
FFr	5.534	
SFr	1.5085	
Y	116.885	
London:		
DM	1.6285	(1.6315)
FFr	5.54	(5.5525)
SFr	5.508	(1.5115)
Y	116.85	(115.7)
$ Index	65.8	(65.7)
Tokyo close Y 115.93		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lev25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2600	Philippines	Peso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000
						UAE	Dh11.00

Daimler-Benz to be given share listing on NYSE

By David Waller in Frankfurt and Martin Dickson in New York

DAIMLER-BENZ, Germany's largest industrial company, yesterday disclosed "hidden reserves" of about DM4bn ($2.4bn) while announcing its plan to obtain a share listing on the New York Stock Exchange.

Daimler will become the first German company to obtain a listing on the exchange and is likely to lead the way for other German companies as they attempt to strengthen their ability to raise capital.

The company said yesterday that after long negotiations it had reached a compromise with the Securities and Exchange Commission, the US regulatory body for securities markets, which would allow it to list its shares on Wall Street this year.

The compromise would include the German company giving increased financial details to meet US investors' expectations, Daimler said. The refusal of the SEC and German groups to compromise on disclosure rules has been a longstanding obstacle to the companies' gaining access to the world's biggest capital market.

As a first step, Daimler said that it would change its accounting for the 1992 financial year. This would disclose extraordinary profits of about DM4bn, more than twice the expected net profits of between DM1.4bn and DM1.5bn. The profit in 1991 was DM1.9bn.

A Daimler-Benz listing would be a major boost to the NYSE, which faces increasing competition for business from electronic, regional and international exchanges, notably London.

The New York exchange has been trying to promote itself as the leading international stock market, but the SEC's strict disclosure rules have discouraged some large foreign companies, particularly German ones, from listing in the US.

Daimler's plans suggest a compromise has been reached in a heated dispute over the past two years between Mr William Donaldson, the exchange's chairman, who has urged the SEC to relax its rules, and Mr Richard Breeden, SEC chairman, who has demanded that foreign companies provide an "information bridge" for US investors.

Daimler's accounting changes highlight the fact that German accounting rules are more conservative than those generally accepted under US accounting principles. US rules are oriented to the needs of institutional investors, whereas German rules put creditors' interests first.

This means that German companies' profits and assets have been understated compared with figures presented under UK or US rules.

Daimler said that further details would be disclosed early next week after a meeting between Mr Gerhard Liener, group finance director, and Mr Breeden.

Parliament ready to vote on impeachment of Yeltsin

Peace talks on Russian leadership break down

By John Lloyd in Moscow

RUSSIA'S political crisis intensified yesterday after the failure of talks between President Boris Yeltsin and Mr Ruslan Khasbulatov, speaker of the conservative-dominated parliament.

The impasse at the end of the 90-minute meeting between the two opponents leaves the way open for a vote on impeaching the president tomorrow.

Mr Yeltsin's office said after the talks - attended by Mr Valery Zorkin, chairman of the Constitutional Court - that the parliamentary leadership had "again rejected the simple and clear solution proposed by the president, to decide the fate of Russian statehood by a national vote."

The statement said a debate on impeachment at an emergency session of the Congress of People's Deputies would "sharply raise tensions in the country." At the same time, however, doubts were expressed on all sides about the ability of Mr Yeltsin's opponents to raise the two-thirds majority needed for impeachment.

Several anti-Yeltsin deputies said such a majority was not presently available, as representatives who could normally be counted on to vote against the president's decrees and proposals shied away from the chaos widely forecast if he is called upon to step down.

However, Mr Khasbulatov alluded to a measure, added to the constitution in December, under which the president could be stripped of his powers if he was deemed to have acted to disband or suspend any legally elected body of state authority. It is not clear if a vote on this would require two-thirds or merely a simple majority.

The increasingly feverish warnings of national catastrophe and division were given point last night with a report on the official Tass news service that Cossacks on the Don River in southern Russia had declared an independent republic.

Hopes of a compromise in Moscow had risen earlier yesterday with the publication of Mr Yeltsin's decree setting out the basis of his address to the people last Saturday, in which he had said he was assuming "special powers". The decree as published made no mention of these powers.

Further efforts at compromise remain possible. Mr Khasbulatov, informing parliament last night of the failure of the talks, said he and Mr Yeltsin had discussed the possibility of a government of national accord.

● The Japanese government was confident last night that it had derailed a push for an emergency summit of the Group of Seven leading industrialised nations to discuss the crisis in Russia, write Robert Thomson in Tokyo and Ralph Atkins in London.

On returning from the US and Europe, Mr Hisashi Owada, vice-foreign minister, told Mr Kiichi Miyazawa, the prime minister, that support was increasing for Japan's plan to host a ministerial-level meeting next month and then the G7 summit as scheduled in July.

Mr John Major, UK prime minister, in a telephone conversation with US president Bill Clinton,

Continued on Page 16

Brussels explains trade plan for Moscow. Page 2

Ruslan Khasbulatov: ready to strip the president of his powers

De Klerk says Pretoria made nuclear arms

By Patti Waldmeir in Cape Town

PRESIDENT F.W. de Klerk yesterday admitted that South Africa had developed and produced nuclear weapons in the late 1970s. He said, however, that all weapons were dismantled after he took power to 1989.

In a statement to parliament to Cape Town, Mr De Klerk provided the first confirmation of what international atomic experts had long suspected: that South Africa had produced weapons-grade uranium and used it to produce a nuclear bomb.

Mr De Klerk said he took the decision to dismantle the weapons soon after becoming president in September 1989, in an apparent attempt to prevent nuclear weapons and technology falling into the hands of a future black government dominated by the African National Congress.

He came under heavy pressure to wind up South Africa's weapons programme from the US and other foreign governments, concerned at the ANC's links with Col Muammar Gaddafi of Libya. South Africa's six nuclear fission warheads were dismantled early in 1990, and the nuclear material used to produce them was downgraded so that it could no longer be used for weapons.

Mr De Klerk said all hardware and design information used in the bombs' construction was also destroyed - again, to frustrate attempts by a future government to revive a nuclear weapons industry - though many of those who developed the weapons remain in government employ.

He insisted that South Africa had developed the weapons entirely with domestic technology, and that it neither imported nor exported technology or materials. There has long been speculation that South Africa co-operated with Israel on its nuclear weapons programme.

In July 1991, South Africa acceded to the Nuclear Non-Proliferation Treaty, under which it was required to declare its uranium stockpiles to the International Atomic Energy Agency. He said yesterday that South Africa held no further stocks of weapons-grade uranium.

In Vienna, the IAEA said it would send inspectors to verify that the programme had ended.

The airborne warheads were constructed at a cost of R800m ($250m) after a decision in 1974 to launch a nuclear weapons programme aimed at deterrence, Mr De Klerk added.

George Graham adds from Washington: Mr De Klerk's announcement seems likely to clear up a dispute with the IAEA and the US over whether South Africa was accounting in full for its production of nuclear material.

"I think this is just the kind of thing South Africa should have done and North Korea may yet have to do," said Mr Gary Milhollin, an arms proliferation expert at the Wisconsin Project on Nuclear Arms Control in Washington.

Crackdown on violence, Page 6

Drugs stocks plummet after Merck earnings warning

By Paul Abrahams in London

DRUGS STOCKS on both sides of the Atlantic tumbled yesterday after Merck & Co, the sector's biggest company, warned that earnings growth this year would be slower than expected.

The US group also revealed its first job reduction programme when it announced 1,000 of its 38,000 employees would be made redundant this year.

By midday in New York Merck's shares had dropped $3¼ - 8 per cent - to $33⅝. In London, Glaxo Holdings closed down 17p to 597p in spite of news that its migraine treatment Imigran had been given technical approval in France.

Merck blamed the slowdown on the increasingly competitive environment in the US and healthcare cost-containment measures worldwide. It also cited unfavourable currency movements that could cut turnover by as much as 3 per cent this year.

Last week Eli Lilly and Marion Merrell Dow, relatively weaker US drugs companies, gave similar warnings.

Merck said the effects of the worsening environment would be seen in the first-quarter results and particularly noticeable during the first six months. Analysts downgraded their earnings growth predictions for Merck during 1993 from as high as 18 per cent to between 9 and 11 per cent.

Merck has been hit both by its undertaking not to increase prices by more than the rate of inflation and the growing ability of bulk healthcare providers to negotiate significant drugs discounts. Sales have also been affected by health reforms in Germany, the world's third largest market, where the number of prescriptions fell by as much as 30 per cent during January.

In the US, prices are actually falling in some drug classes because of the growing power of bulk healthcare providers called health management organisations. These account for about half of the US market.

Merck has been particularly hit by discounting. Sales growth of Merck's cholesterol-lowering drugs Zocor and Mevacor, has suffered from the aggressive pricing of Bristol-Myers Squibb's Pravachol.

Analysts believe price competition is likely to worsen as a number of significant drugs come off patent over the next two years.

Sales of Merck's anti-ulcer drug Pepcid and Glaxo's Zantac are likely to suffer next year as HMOs switch to cheap generic versions of SmithKline Beecham's Tagamet next year.

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Russia in turmoil: A democrat shouts at communist demonstrators in St Petersburg yesterday (left), while in Moscow deputies argue in parliament (centre), watched by justices of the constitutional court who ruled that President Yeltsin had acted illegally (right)

Free trade zone plan seen by the Twelve as a 'political signal' of support for the reform programme

Brussels explains trade plan for Moscow

By David Gardner in Brussels

THE European Commission confirmed yesterday it is seeking an enlarged mandate for its "partnership" negotiations with Russia, and that the aim is eventually to create a free trade agreement with the former Soviet republic.

The Commission will ask EC foreign ministers to endorse the free trade mandate on April 5 in Luxembourg. But a delegation of Community foreign ministers and commissioners is expected to raise the new terms of negotiation with the embattled government of President Boris Yeltsin in Moscow this weekend.

The hope is to conclude an agreement with Russia in time for the Copenhagen summit of EC heads of government on June 21-22.

Following yesterday's Commission meeting, Mr Hans van den Broek, EC external affairs commissioner, confirmed that the "eventual" aim of the agreement was a free trade zone with Russia, "provided political and economic circumstances allow it".

"Any solution to the (Russian) crisis will not, obviously, depend on our negotiation," Mr Van den Broek said. "But the political signal" from the EC, he added, "is very clear."

Senior officials say nobody is under any illusions about the gargantuan task of reaching a free trade arrangement with the former command economy, when the fate of Russia's economic reforms, and its future commitment to them, hang on the outcome of the power struggle in Moscow.

But the Commission said it "believes that by expressing a willingness to go beyond traditional trade and co-operation and eventually achieve free trade with Russia, the Community would be sending an important signal to Moscow that it fully supports the reform process".

Mr Yeltsin expressly asked for the negotiations to encompass free trade, to give Russia the same sort of access to EC markets promised to Hungary, Poland, the Czech and Slovak republics, Bulgaria and Romania.

The main difference between what the Commission wants for Russia and what has been negotiated with the east and central Europeans is that the drive towards a free trade zone with the latter is linked to their eventual membership of the Community. This is not on offer to Russia – or other former Soviet republics to which free trade arrangements might also be extended.

But the terms of trade Russia might get, according to confidential Commission documents, could theoretically be more favourable than for the east Europeans, who have been frustrated by EC barriers to their most competitive produce, like steel, textiles and food. The "safeguard clause" the Commission envisages against any flood of competitive Russian goods spells out that it "will only be invoked in the event of a serious injury, or a threat of a serious injury to domestic (EC) producers of like or direct competitive products".

The word "serious" is underlined in the text, and some commissioners yesterday underlined their concern about its potentially broad sweep. Officials said they had wanted to defer deciding on the proposal until next week, to allow further examination of the safeguard clause, and were angered that aspects of the plan had been reported in yesterday's Financial Times.

Benefits for Russia will take time

By David Dodwell, World Trade Editor

RUSSIA would take longer than did Poland, the Czech and Slovak republic and Hungary to reap benefits from trade liberalisation with the European Community, trade specialists said yesterday.

The slow response would largely be due to internal economic disorder, they said.

New figures about to be released from the General Agreement on Tariffs and Trade in Geneva show that the economies of central and eastern Europe last year saw strong export gains to the EC – up about 20 per cent from 1991 after a 12 per cent rise in 1990.

East Europe's imports from the EC grew even faster, however, showing that at present the economies in transformation are offering better market opportunities to EC exporters than vice versa.

"Exports especially to the EC grew quite substantially," a Gatt official said. "It is tempting to impute a causal relationship between the improvement as last year's market opening agreements (with Poland, Hungary and the Czech and Slovak republic), but no detailed investigation has been possible."

This improvement contrasts with an overall fall in exports from central and eastern Europe and the Commonwealth of Independent States of 10 per cent to $85bn.

Agreements with the three eastern European economies providing better access to the EC market went into force in March last year. Quotas were set on food exports, textile products, steel and chemicals – all sectors where strong export gains might have been expected. Potential gains have also been reined in by anti-dumping actions against steel exporters from the region late last year.

Strongest growth in exports to the EC was seen for the Czech and Slovak republic, which saw exports leap by 40 per cent, with Bulgaria seeing a 24.5 per cent gain. By contrast, CIS exports stagnated.

In any "Europe agreement", Russia would probably hope for better openings for its raw materials, especially oil and gas. It would probably face less protectionist resistance than the eastern European economies did to many of their manufactured exports, though controversy over fish, alumina and non-ferrous metals cannot be ruled out.

Trade of western Europe with eastern Europe and CIS, 1991-92
(Annual percentage change in value)

Exports to 1991	Exports to 1992		Imports from 1991	Imports from 1992
-1.0	14 .0	Bulgaria	26.0	24.5
21.0	63.0	Czech and Slovak Fed. Reps.	27.0	40.0
16.0	17.0	Hungary	16.0	11.0
61.0	6.5	Poland	-6.5	15.5
-2.0	43.0	Romania	-10.0	2.5
30.0	24.0	Central and eastern Europe	12.0	20.0
-23.0	-4.5	CIS	-7.0	0.0
3.0	12.0	Total	1.5	9.5

Yeltsin tipped to survive vote

By John Lloyd and Dmitri Volkov in Moscow

THE mood among Russian deputies yesterday was uncertain, but most signs suggested anti-Yeltsin forces will struggle to get the 689 votes in Congress for the two-thirds majority needed to impeach him.

Mr Nikolai Pavlov, a member of the fiercely anti-Yeltsin bloc, Russian Unity, said the chances of impeachment were minimal. The US TV network ABC quoted a Yeltsin opponent saying: "We only have 600 votes."

Mr Yeltsin can rely on support from the Radical Democratic and Democratic Russia blocs, and can be fairly certain that all in the Union of Creative Forces and absolutely certain that all in Russian Unity will vote against him.

The Democratic Centre is the group to play for. It includes the left centre grouping of Mr Victor Sheinis on the one side and the Free Russia faction of vice-president Alexander Rutskoi on the othar. Mr Sheinis generally supports the president, while General Rutskoi has come out strongly against Mr Yeltsin's assumption of special powers.

The ingredient which will work for Mr Yeltsin, if impeachment is put to the vote tomorrow, is fear. Mr Ramazan Abdulatipov, chairman of the Council of Nationalities, said: "It's all very well being a hero but the heroism being shown will be at the expense of the destruction of Russia." He called for compromise.

So numerous have been the warnings of civil war that some impressionable and wavering deputies from provincial constituencies are bound to be affected, and vote not to punish Mr Yeltsin.

Further, his milder opponents could be swayed by the continuing impression that he retains popular support. An opinion poll in the strongly pro-Yeltsin daily Izvestia yesterday showed Mr Yeltsin with a 50 per cent approval rating against 9 per cent for General Rutskoi. Nearly 60 per cent said Mr Yeltsin's assumption of special powers was either correct (49 per cent) or not tough enough (22 per cent).

One view last night was that an impeachment vote might backfire. Mr Vladimir Varov, an influential radical from St Petersburg, said: "I don't object at all if the anti-Yeltsinites get two thirds. It would show up the Congress for what they are. And it they tried any action against the president I'm sure the people would put on an equally suitable reaction."

EC telecoms groups in talks on liberalisation

By Andrew Hill in Brussels

SENIOR executives of EC telecommunications operators meet in Brussels today to discuss European Commission plans to open domestic and international telephone calls to full competition by 1998.

Brussels' telecoms directorate has produced a draft plan which would involve opening cross-border calls within the EC to competition by January 1, 1996. The same plan would set a target of January 1, 1998 for the controversial liberalisation of all calls – including those within individual countries and to countries outside the EC.

Today's meeting with Commission officials will be followed by a similar round of talks tomorrow involving national telecoms regulators. The meetings mark the end of six months of consultations with member states, consumers, regulators and operators.

Mr Martin Bangemann, the EC telecoms commissioner, and Mr Karel Van Miert, responsible for competition, will then have to decide whether to submit far-reaching proposals to their fellow commissioners and ultimately to EC telecoms ministers, who next meet on May 10. Both commissioners favour more liberalisation, to improve efficiency and competition, but they will probably want to safeguard operators' commitment to provide a uniform service for all consumers.

The main battle among commissioners, and then among member states, is likely to be over the timing of such a plan. As drafted, it would go too slowly for some telecoms operators, such as British Telecom, and too fast for others, including the German state company Deutsche Telekom. Some member states with less well-developed networks, such as Portugal, Greece, Spain and Ireland, would probably be allowed to delay implementation of the proposals.

But senior Commission officials say even the most reluctant telecoms operators – such as France Telecom and Deutsche Telekom – now accept that a final target of full competition should be set, partly because it would be practically very difficult to stop short at partial liberalisation.

Under the draft plans, the first phase of any new approach would be to ensure the enforcement of existing directives liberalising certain services. Only later would member states have to consider the most controversial questions, such as whether to open the building of telephone networks to new companies.

Inflation falls to 4% in Spain

By Peter Bruce in Madrid

ANNUAL inflation in Spain fell to 4 per cent in February, the best performance in five years. But it did little to raise hopes for significant interest rate cuts and triggered only a modest recovery on the Madrid stock market.

The February consumer price index was static, meaning that Spain's annual rate of inflation has fallen sharply from 5.4 per cent at the end of 1992. Some analysts in Madrid yesterday forecast end-of-year inflation at below 4 per cent.

However the Bank of Spain, which the previous day had decided to hold its benchmark intervention rate at 13 per cent, was holding short-term money market rates at around 15.5 per cent, with analysts expecting little movement soon. Most believe the Spanish will wait to see whether a new French government relaxes monetary policy after the final round of parliamentary elections this weekend.

The February figure was, nevertheless, lower than expected and the more remarkable because changes this year to the way the CPI has been calculated probably overstate comparative inflation. The new calculation gives high-inflation service industries greater weight than previously.

Norway upbeat on economy

By Karen Fossli in Oslo

NORWAY'S central bank yesterday issued an upbeat outlook for the economy, which has already developed favourably this year.

The bank's quarterly economic review published yesterday said: "The main driving force in 1993 is expected to be an increase in demand both in the household and business sectors." It said policy measures adopted last December, which include a lowering of payroll taxes and increased value added tax, together with currency depreciation are expected to increase industry's competitiveness.

The minority Labour government increased VAT from 20 to 22 per cent and, following the unlinking of the krone from the Ecu last December, the Norwegian currency has weakened by 3 per cent. Since the start of the year, foreign currency inflow has been around NKr35bn ($5.1bn). "This means that two-thirds of the outflow of reserves has been recovered," the report said.

Money market rates have fallen nearly four percentage points since late December.

Sejm vote may topple Suchocka

By Christopher Bobinski in Warsaw

THE FUTURE of Poland's seven-party coalition led by Ms Hanna Suchocka could hang on the result of a no-confidence vote in Mr Janusz Lewandowski, the privatisation minister.

Mr Jan Krzysztof Bielecki, the minister responsible for European Community affairs and Mr Lewandowski's party colleague, said yesterday that his group, the Liberal Democratic Congress (KLD), would leave the government if Mr Lewandowski failed to survive the vote.

The motion has been brought by the anti-communist KPN party, which espouses populist policies and has been pushing for Mr Lewandowski's resignation since last autumn.

The KPN's move follows the defeat last week of Mr Lewandowski's mass privatisation plan, with subsequent party inquiries suggesting that a no-confidence vote might succeed. Next week's vote will coincide with the government's resubmission of revised privatisation proposals.

Mr Bielecki's statement is aimed at bolstering Mr Lewandowski's position within the coalition and in effect turns the vote into a vote of confidence in the government.

Suchocka: hanging on vote

The coalition controls about 210 votes in the 460-member Sejm and relies for its majority on the 26-strong Solidarity trade union group and a handful of independents.

The KLD and its close allies have 52 votes in the Sejm. Were they to withdraw, the alternative would be the imposition of a cabinet by President Lech Walesa or new elections. The KLD is hoping that most parties want to avoid both.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EC clears Sony deal on Berlin HQ

By Andrew Hill in Brussels

THE European Commission has decided that the Berlin city authorities did not "sweeten" unduly a 1991 property deal with Sony, to persuade the Japanese electronics manufacturer to move its European headquarters to a prime city centre site.

The Commission yesterday closed its 15-month inquiry into the DM101m ($60.8m) deal, by deciding that the Japanese company would not have to pay extra for the site on Potsdamer Platz, which used to be bisected by the Wall between east and west Berlin.

Brussels has been looking closely at property deals in Berlin, where prices have increased substantially since unification of the city. Companies which are found to have paid less than market value for state-owned properties can be asked to "repay" what amounts to an illegal state subsidy.

Last April, the Commission ordered Daimler-Benz to make an additional DM33.8m payment to the Berlin authorities, on top of the DM93m which it paid in July 1990 for another office site on the Potsdamer Platz.

The Commission applied the same reasoning to the Sony sale.

Following an independent valuation, Brussels estimated that the 30,900 sq m Sony site was worth between DM128m and DM149.5m.

However, it agreed that figure should be adjusted downwards by about DM41.3m to take account of strict conditions imposed by the Berlin authorities.

After adjustment, the Commission estimated that the potential state subsidy in the deal was too small to be significant.

Daimler-Benz has never pursued its initial objections to the Commission's decision on its property deal, and is also believed to be happy with the ruling favouring Sony.

French refuse to slam door on Le Pen

The centre-right's landslide has failed to damage the National Front in the south, writes David Buchan

ASSEMBLÉE NATIONALE Elections '93

THE electoral tide that will carry France's centre-right parties to government next week has rolled down the Rhône valley. But there are two rocks of resistance which it has not completely washed over, at least not until the results of Sunday's run-off parliamentary election are in.

The biggest reef which the neo-Gaullist Republican Rally (RPR) and the Union for French Democracy (UDF) liberals have hit is the National Front. Mr Raymond Barre, the centrist ex-prime minister, who by a narrow margin was elected outright in last Sunday's first ballot, said he had never thought to see the Front do so well.

In fact, the far-right party of Mr Jean-Marie Le Pen scored a relatively low 17 per cent in Mr Barre's Lyons constituency. Elsewhere it was more successful. Five years ago, only one of its candidates reached the second round in the Rhône department's 14 constituencies; on Sunday it will have seven candidates in the run-off to contest the 12 seats which remain open. One of them is Mr Bruno Gollnisch who came top in his constituency with 24.5 per cent of the vote.

Attracting the support that had gone to a dissident Gaullist who was eliminated in the first round is Mr Gollnisch's main hope of keeping first place in the run-off – and he is convinced that tha Front is now firmly embedded as the region's second political force.

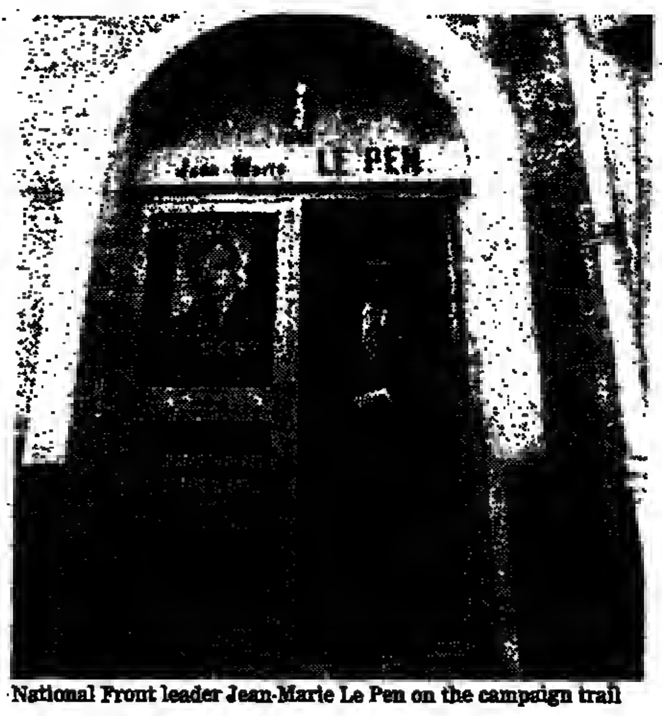
Married to a Japanese whose language and civilisation he teaches at Lyons university, Mr Gollnisch does not fit easily the xenophobic image of the Front, even though he is a member of its national executive.

But he does expound on the threats of immigration and Aids. "This is why people listen to us – we were the ones to break the taboos on talking about these issues," he says.

Like Mr Le Pen, his leader, Mr Gollnisch has no inhibitions about attacking the press and pollsters for consistently underestimating his party.

"The polls are run by crooks or idiots who should know by now that people are more hesitant about professing their support for the Front than for other parties," he says.

He believes that pollsters should build a correction factor into their estimates of support for the Front.



National Front leader Jean-Marie Le Pen on the campaign trail

The other point of resistance to the prevailing tide is less a reef than an outcrop, since it consists of one man – Mr Michel Noir, the embattled mayor of Lyons. Once a rising star of the RPR in whose last government he served as trade minister, Mr Noir formed a breakaway reformist movement a couple of years ago. It went nowhere. Yet the RPR would probably never have dared take on the mayor of France's second largest city, had they not scented weakness.

The smell was indeed obvious to all, from the moment Mr Noir became embroiled last year in the "Botton affair". Mr Pierre Botton, once a prominent Lyonnais businessman who is still Mr Noir's son-in-law, is in jail on charges of milking his companies of money that he put to various uses, including free holidays for a prominent TV anchorman, but also the illegal funding of Mr Noir's 1989 mayoral campaign which he managed.

Mr Noir's effort to wipe off the mud were made no easier when earlier this month Mr Botton leaked to the press copies of a letter Mr Noir had written in 1989 detailing how he would be repaying the money to Mr Botton.

But somehow Mr Noir seems to have convinced a number of Lyonnais that he is the innocent victim of a family vendetta. In his attempt to keep his parliamentary seat (which in France can be combined with that of mayor), Mr Noir was less than one percentage point in the first ballot behind Mr Alain Mérieux. Mr Mérieux is the official RPR candidate and scion of Rhône-Poulenc's Institut Mérieux, which is a world leader in vaccines.

In a Tuesday night radio debate, Mr Noir exploited Mr Mérieux's tactless suggestion that a Noirist Lyons would find itself isolated in an RPR-run France, by claiming that his city was being victimised as well as himself.

On Sunday Mr Noir will not be able to count on support which in the first round went to Socialist or green candidates – those parties have told their voters to stay out of the Noir-Mérieux mudfight. But he has one thing going for him – hatred of the local National Front, which has filed lawsuits against him for blocking their use of municipal meetiog places.

The Front's defeated candidate in the constituency, Ms Anne Richard, has called on her supporters not to vote for Mr Noir, and said she will vote for Mr Mérieux. The latter is desperately stressing that he has never solicited her backing, but with friends like the Front he may find himself with too many enemies to stay top in Sunday's poll.

The outcome will be an important test of how respectable the Le Pen party is now considered in today's France.

Italian political party accounts belie appearances

By Robert Graham in Rome

ITALY'S political parties have emerged as rich men in beggar's clothing from the publication of their annual accounts.

According to the formal accounts of the 14 main parties published yesterday in the official gazette, their combined revenues added up to only L285bn ($184.3m) in 1991 against declared expenses of L293bn. However, their accumulated debts at the end of 1991 totalled L108bn.

The accounts have been published after having been sent back to the respective party treasurers for clarification in the light of the current corruption scandals. Even so, they differ widely from the picture being made public by the scores of businessmen and state company managers who have admitted to paying bribes and illicit contributions to the parties over recent years.

On the basis of these confessions and the generalised nature of illicit party funding known to exist, official contributions in 1991 would appear to represent little more than 10 per cent of the real monies collected in the parties' names. Illicit funding of overblown party infrastructures and lavish spending lies at the heart of the magistrates' investigations into corruption which are progressively decapitating Italy's political and business élite.

In theory, all contributions over L5m have to be declared, yet very few such contributions are listed.

Almost as one, the party leaders and treasurers have justified the anamoly between the stated sums received and spent and the existence of illicit funds by the independence of individual branches of the parties. The accounts refer essentially, they say, to the centralised activity of the parties – not to branches or to those areas funding specific factions. Among the Christian Democrats there were about seven of these.

Another senior member of the Fiat group has been caught up in the corruption investigations, writes Robert Graham. Yesterday magistrates revealed that a cautionary warrant alleging corruption had been issued against Mr Riccardo Ruggeri, the London-based chief executive of New Holland, the agricultural machinery concern.

Warning on recovery for Sweden

SWEDEN will make only a slow recovery from its current economic crisis, Scandinaviska Enskilda Banken, the country's leading commercial bank, warned yesterday, writes Christopher Brown-Humes in Stockholm.

The bank expects the country's GDP to fall 1.5 per cent in 1993, the third successive year of decline, while recovering only a weak 0.7 per cent next year.

Government estimates in January suggested a 1.4 per cent drop in GDP this year, but a stronger 1.6 per cent growth next year.

The bank also predicts inflation this year will rise to 5.7 per cent, exceeding the 5 per cent level on which most government forecasts are based, following the sharp depreciation of the krona.

Two of the country's main economic problems – unemployment and the budget deficit – are set to get worse, warns the bank.

German steel pay talks end without deal

GERMAN steel employers and unions have failed to find a compromise to avert a strike in eastern Germany next month, writes Judy Dempsey in Berlin.

Inconclusive talks were held this week between IG Metall, Germany's engineering union, and the steel employers association. The union is insisting on a 21 per cent pay rise for its 20,000 steel union members in eastern Germany as part of a March 1991 contract. The employers have offered 9 per cent.

IG Metall said yesterday it would start balloting members in eastern Germany on a strike, although one senior official conceded that the union "did not really want a strike" in eastern Germany.

Small and medium-sized enterprises did not want a strike, he said, nor could they pay a 26 per cent rise. However, it was time "workers in eastern Germany learned to defend their interests."

Portugal offers aid to exporters

PORTUGAL yeatarday annonnced an Es300hn (£1.4bn) package designed to snpport exports and help industry through the international recession, Peter Wise reports from Lisbon. Mr Aníbal Cavaco Silva, prime minister, said the aim was to belp exporters penetrate non-traditional markets, to promote Portuguese prodncts in specific markets and to support companies bit by exchange-rate instability and the crisis in the former Soviet Union.

Credit lines worth Esc270bn will opened at Portugnese banks during the next six months to support exports to 13 nnn-traditional markets including Israel, South Africa, China, Iran and some Latin American and East European countries.

Power order

Hyundai Engineering and Construction, South Korea'e largest building company, has won a $1.6bn (£1.1bn) order for four 300MW thermal-power plants in Libya, John Burton writes from Seoul.

The cnntract exceeds the amount of total foreign orders tbat Hyundai received last year, worth $1.13bn. It is also equivalent to almost 60 per cent of all foreign contracts that Sonth Korean construction companies obtained in 1992, which totalled $2.78bn.

Congo oil deal

Technip, the French engineering group, has won an engineering and supply contract in the development of the N'Kossa offshore oil field off Congo, Alice Rawsthorn writes from Paris.

The budget for the construction of the whole development, which will include two drilling pletforms and a production barge, is FFr8.5bn (£1.1bn) and Technip has won one of the largest contracts in the project. The field is expected to *provide a third of Congo's oil* prodnction by 1997.

Tokyo rebuts criticism by Clinton

By Michiyo Nakamoto in Tokyo

JAPAN hit back yesterday against strong criticism of its trading practices by President Bill Clinton.

The US leader's statement on Tuesday that the prospect of gaining fair access to the Japanese market was "somewhat remote" was based on a misunderstanding of that market, said Mr Noboru Hatakeyama, vice-minister for international affairs at the Ministry of International Trade and Industry.

"His understanding of the Japanese market is wrong," Mr Hatakeyama told the FT. Japan was the largest market for US agricultural products and the second largest for US manufactured goods. If Japanese markets were really difficult to access, this could not be the case.

President Clinton's statement that the trade imbalance with Japan was the only one that did not seem to change very much was also untrue, said Mr Hatakeyama. Japan's imports from the US had increased in value from $48.2bn in 1989 to $52.1bn last year.

It was not appropriate to compare Japan'e trade surplus witb tbe situation in otber countries since there was a difference in competitiveness, Mr Hatakeyama said. Japan was more competitive than other US trading partners.

The minister repeated the Japanese government's rejection of the US suggestion that it should set market share targets as a measurement of access. "We are working in a free market which cannot be changed by artificial means," he said. The US-Japan trade balance should be improved through efforts to reduce the US budget deficit and raise US competitiveness, in the government's view.

Mr Hatakeyama welcomed President Clinton's decision not to act unilaterally by raising US tariffs on minivans from 2.5 per cent to 25 per cent but to address the issue "in the context of of a larger set of trade issues". Raising the tariff would have been a breach of Gatt rules.

Further Japanese steps to open its markets and expand domestic demand were promised yesterday by Mr Yohei Kono, chief cabinet secretary. The issue would be addressed by Mr Yoshiro Mori, trade minister, *during his visit* to Washington later this week, he said.

Mr Kono pointed out, however, that the surplus has grown even though the volume of imports into Japan had not fallen. This was in part due to the rise in the value of the yen.

Japanese bid-rigging helps US case

Robert Thomson reports on political interference in public works contracts

WHEN Japanese prosecutors unearthed evidence that construction companies ranked politicians according to influence, beginning with A+ for the very powerful and down to D for those hardly worth cultivating, they probably helped the cause of foreign contractors in the Japanese market.

The investigation into political corruption has confirmed foreign allegations of bid-rigging and political interference in awarding public works contracts. It has also prompted debate about reform of both the building industry and the political system.

In the past few days, 17 of the country's largest contractors have been raided by prosecutors searching for evidence in a tax evasion case against Mr Shin Kanemaru, the fallen godfather of the governing Liberal Democratic party. But their success in highlighting collusion in the industry will force the Fair Trade Commission, the anti-monopoly body, to take tougher action.

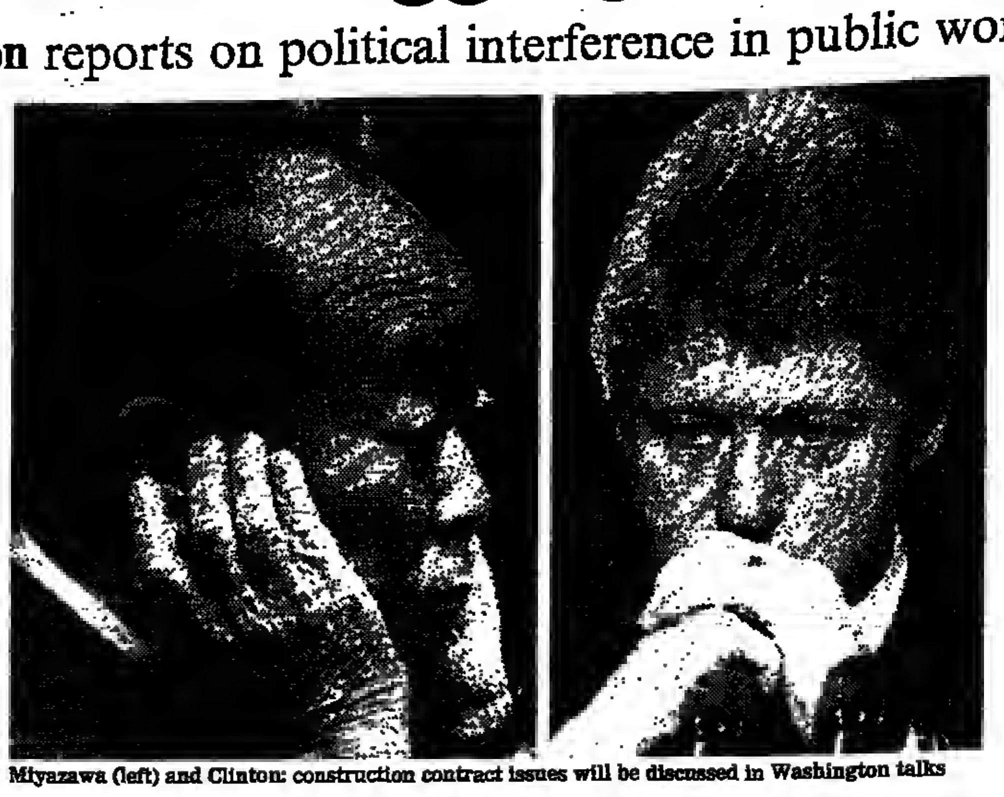
For the US government, the prosecutors have furnished much useful information about the "synergy" between politicians and contractors, with the former providing tbe latter with contracts, and the latter donating to the former a small percentage of a contract's value.

The US has negotiated with Japan for the past decade in the bope of making the contract process more transparent, and hed suspected that politicians were a "structural impediment" to a free market. But raising the suspicions during formal negotiations was impossible without causing offence.

Now, damning material gathered by prosecutors is leaked each day to the Japanese press, and tbe difficulties faced by foreign contractors have been put in a new context. Prosecutors say that politicians simply *rang the appropriate government* authority to ensure that contracts were awarded to a company whicb was close to the LDP.

President Bill Clinton will be briefed on construction market access, and he is expected to raise the issue during a meeting next month in Washington with Mr Kiichi Miyazawa, the prime minister. The two sides are yet to settle a dispute over technical standards, and the US wants additions to the list of 34 projects for which bidding procedures have been simplified for foreign companies.

In response to the emerging scandal, Mr Miyazawa told parliament yesterday that the "time has come for the government to be more open in awarding public works contracts", and that bureaucrats will be instructed to tighten controls over decision-making.



Miyazawa (left) and Clinton: construction contract issues will be discussed in Washington talks

Mr Miyazawa's statement came after a former Construction Ministry official confessed that he was responsible for deciding on a contract during the 1980s, and received a phone call from a senior politician who said Company A should win because "it has studied the project carefully".

Company A did win, the official said, because of the politician's call, but the public reason for its selection was given as "technical know-how". While not all contracts are awarded unfairly, unsuccessful foreign bidders are often said to lack "technical know-bow".

The Ministry of Construction, which has represented Japan at the negotiations with the US, lamented the damage done to the image of the construction industry: "We have really been making an effort to ensure transparency and fair competition, and we have tried to meet international standards."

Some curious details about the contract process have emerged in Mr Kanemaru's home prefecture of Yamanashi, where an association of local contractors referred to Y1m (£5,800) kickbacks as *manju*, a very sweet Japanese cake, while a "coffee charge" of Y20,000 or Y30,000 was paid by bidders on decision day.

Mr Kanemaru is still thought of fondly in his home prefecture, where a recently-build bridge is known as "Shin's bridge" and a highway has been dubbed "Shin's way". But there is widespread anger in Japan that a percentage of the cost of public works contracts was a donation to the LDP.

Apart from skewering politicians, the prosecutors have shown that *dango* or cartels routinely decide which company will win a contract and the price. US negotiators argue *dango* deny foreign contractors a fair chance, but Japanese companies still say the system gives small companies a decent share of public contracts.

A manager at a large contractor raided this week said that "Americans don't really understand our system", which is based on the principle of "mutual benefit".

EC says US aircraft tax rules unfair

By Paul Betts, Aerospace Correspondent

THE European Commission is expected to accuse the US next week of breaching international civil aircraft trade rules by letting US manufacturers use a controversial financing vehicle *to avoid paying tax on* aircraft sales.

The EC is threatening to take the issue before a General Agreement on Tariffs and Trade disputes panel.

After a series of renewed US attacks against government support for Airbus, the EC is mounting a vigorous counter-attack on what it claims is increasing administration support for Boeing and McDonnell Douglas.

The EC is especially concerned by *the use of a US tax* financing vehicle called the Foreign Sales Corporation (FSC) by Boeing and McDonnell Douglas. More than $5bn (£3.5bn) worth of aircraft are estimated to have been financed through this technique in the US.

Airbus says such tax benefits are not available to the European manufacturer, and are an unfair export subsidy for the two US companies. "We will certainly press this issue during *trade talks with the US in* Brussels next week," said Mr Michel Dechelotte, Airbus director of international affairs. He also said Airbus, with 95 order cancellations last year and a further 20 last week, had been worse hit by the recession than Boeing.

Airbus partners have traditionally relied more heavily on direct support, while US manufacturers have benefited from what the EC claims has been significant indirect government support.

Mr Dechelotte said Airbus was worried the US intended to increase these indirect supports to help its industry during the recession.

Italy tries to curb shoe imports

By Robert Graham in Rome

ITALY is seeking to restrict imports of shoes, ceramics and silks from non-EC countries entering via Britain, Germany and the Netherlands. A letter to this effect has been sent by Mr Claudio Vitalone, the Italian trade minister, to Sir Leon Brittan, the EC Commissioner in charge of trade policy.

Sir Leon has already raised the issue threatening action against these three countries and the matter was discussed inconclusively in the March 8 Council of Ministers, according to the Italian trade ministry.

Italy is alarmed that some Italian companies are taking advantage of liberalisation in Britain, Germany and tbe Netherlands following the January inauguration of the single market by importing direct from these countries goods from non-EC members.

The main area of concern centres on imports of shoes, ceramics and silks – all items which domestic industry is extremely sensitive about – from China, North Korea and Vietnam.

The Italian move appears designed to put pressure on ministers of the Community to resolve the issue of third-country imports.

In the meantime, Italy has given notice that it reserves the right to protect itself under Article 115 of the Treaty of Rome.

Japanese retailers report 5.4% fall in sales

By Robert Thomson in Tokyo

JAPANESE retailers reported a 5.4 per cent fall in sales last month, compared with a year earlier, putting added pressure on the government to stimulate consumer spending with an income tax cut in coming months.

The Japan Chain Store Association said sales had fallen against year-earlier levels for six consecutive months, as consumers, intimidated by the economic downturn, have increased their savings and reduced their spending.

Car and commercial vehicle production was down 1.2 per cent to 1.043m units in February, the fifth consecutive month of decline, the Japan Automobile Manufacturers' Association said.

Passenger car output, excluding mini-cars, increased 1.1 per cent, but truck production was down 8 per cent, the 19th month of year-on-year decline and a sign of weak capital spending by Japanese companies.

The downturn in consumer confidence has prompted the ruling Liberal Democratic party to consider ways of rekindling demand, apart from an increase in infrastructure investment, as part of a stimulatory package expected to be decided next month.

Mr Hiroshi Mitsuzuka, chairman of the LDP's policy research council, wants an initial draft of the package completed on April 5 for presentation to opposition parties, and says the amount will exceed the Y10,700bn (£62,573m) emergency package announced last August.

The LDP is also expected to meet opposition parties on April 7 to decide on whether an income tax cut will be necessary to ensure recovery.

Ministry of finance officials are arguing against a reduction, in the belief that a second package alone will be sufficient to achieve a revival in the economy.

N Korea ends 'war footing'

NORTH KOREA said yesterday that it was ending its state of "semi-war" that was declared two weeks ago in response to the annual US-South Korean military exercise, writes John Burton in Seoul.

The Team Spirit manoeuvres, which Pyongyang claimed were a "rehearsal for nuclear war", were completed last Thursday, and US troops who participated in the exercise are leaving South Korea.

The proclamation of a "semi-war" footing was a prelude to Pyongyang's subsequent withdrawal from the nuclear non-proliferation treaty.

North Korea said it was pulling out of the treaty due to the Team Spirit exercise and a demand by the International Atomic Energy Agency to inspect two facilities believed to be connected with the country's nuclear weapons programme.

Officials in Seoul said Pyongyang put the country on a "semi-war" footing to build support for North Korea's next leader, Mr Kim Jong-il, who is gradually assuming power from his father, Mr Kim Il-sung.

Mr Kim Jong-il is believed to face army opposition and the semi-war status was meant to assert his authority over the military establishment.

Vietnamese flee Cambodia

Large numbers of ethnic Vietnamese are fleeing their homes in Cambodia following a massacre blamed on Khmer Rouge guerrillas, the United Nations said yesterday, Reuter reports from Phnom Penh.

UN naval peacekeeping patrols have reported movements of Vietnamese on the Tonle Sap, a lake in the centre of the country, a spokesman for the UN Transitional Authority in Cambodia told a news briefing.

About 100 boats were seen travelling down the Toule Sap River – a tributary of the Mekong that flows from the lake – towards and past Phnom Penh, the national capital, at the weekend.

The exodus follows the killing of at least 33 people during an attack on a Vietnamese village on the Tonle Sap on March 10.

How Xinhua is pulling HK to China

The news agency is midwife of the colony's return to the motherland, Simon Holberton writes

EARLY next month Mr Zhou Nan, director of the Xinhua news agency in Hong Kong, will take a group of about 50 personalities from the colony to Beijing to receive their letters of appointment as "advisers" to China on Hong Kong affairs.

A year ago Mr Zhou presented the leadership with s glittering array of Hong Kong's leading plutocrats, including Mr Li Ka-shing, Mr Henry Fok, Sir Run Sun Shaw – three of the colony's richest men – and a smattering of former civil servants, judges and serving politicians.

This April will be no different, except in one respect. Mr Zhou's latest trophy will he Sir David Akers-Jones, a former chief secretary of the colony, and a British civil servant of the old school. He resigned earlier this week from chairmanship of Hong Kong's Housing Authority – a position from which he has been an opponent of Governor Chris Patten's plans for more democracy in Hong Kong.

What Sir David's and the other 50-or-so appointments to Beijing's court will underline is the gravitational pull of China and the corresponding waning of British power in Hong Kong. From Beijing's angle, Xinhua deserves much credit for hastening that process.

In Hong Kong Xinhua is the face of the Chinese central government – a regime that rarely does anything unintentionally – in belligerent mode. In the run-up to 1997 it is the midwife to Hong Kong's return to the motherland.

Its headquarters, faced in red granite, opposits the Happy Valley race course on Hong Kong Island, houses some 650 mainland officials. Journalists working for the news agency occupy the first six floors of its former HQ in Wanchai.

Xinhua's role has changed with the demands of the time. During the Cultural Revolution it agitated against British rule in Hong Kong until Zhou Enlai, China's then prime minister, called a halt.

During the 1970s, when China was still a diplomatic outcast, Xinhua's "foreign affairs" department met diplomatic representatives of countries with which China had no formal ties. More recently, diplomats say, it has been the conduit for unofficial talks with South Africa and was China's channel for setting up diplomatic ties with Israel last year.

The agency's work in Hong Kong is, however, the standard by which it is judged in Beijing. Mr Li Peng, China's prime minister, ought to be pleased with Mr Zhou's performance since he took over Xinhua in early 1990 from Mr Xu Jiatun – the highest ranking Chinese communist official to defect to the west.

Mr Xu lacked revolutionary fervour in his later years and was an ideological casualty of Beijing's Tiananmen massacre in June 1989. Not so Mr Zhou. He is a man whose loyalty to the Chinese Communist Party is such that in spite of being a vigorous Cultural Revolutionary, for which he won few friands, he has gone from strength to strength in the era of Deng Xiaoping and "opening to the outside world".

If "bardline", "moderate" and "liberal" have any meaning in Chiness politics, than Mr Zhou is assuredly a hardliner. He has, according to western analysts and Xinhua employees, toughened up the organisation and overseen its "united front" activities in the colony to great effect.

The agency draws its senior officials from the upper echelons of tha party. Mr Zhou, who holds ministerial rank in the Chinese government, is a career diplomat who has served in Pakistan and Tanzania, and at the United Nations.

He was a member of the Chinese team which negotiated the Sino-British Joint Declaration of 1984 and, last October, was appointed to the central committee of the Communist party.

Fluent in English and fond of quoting Shakespeare, Mr Zhou is passionately anti-British. Some analysts attribute this to his early diplomatic experience of former British colonies; others to his first job.

During the Korean War he interpreted for Chinese interrogators of Allied prisoners of war.

"POWs are often scared and they collaborate; their interrogators feel contempt for them," said one observer.

But Mr Zhou's claim to fame may be the accolade he received from Mr Deng after the Joint Declaration was agreed in 1984. UK officials saw him as one who tried to wreck those talks, hut Mr Deng is reported to have said he did a good job, a commendation that has shielded Mr Zhou evsr since, but one which may only be good for the term of Mr Deng's life.

Zhou Nan: has toughened up his organisation

Other senior officials of the agency have held senior provincial government positions. Mr Qin Wenjun, the agency's No 2 deputy director, was the vice-major of Shenzhen, the "special economic zone" to the north of Hong Kong.

His responsibilities include "co-ordination", or building a hroad coalition of "capitalist and bourgeois forces" in opposition to the British.

He reports directly to the party's United Front department in Beijing. Xinhua has opted for the more neutral term "co-ordination" so as not to offend the locals, one employee said.

Mr Zhang Guoxiong, the agency's first deputy director, was formerly head of the Guangdong communist party's personnel department. He covers personnel issues and "social work". Xinhua's liaison with trade unions. He is one of the few senior Xinhua officials who speak Cantonese, the dialect of Hong Kong and neighbouring Guangdong.

The agency puts little trust in its locally recruited staff, a mirror of the Communist party's broader distrust of Hong Kong.

Many of its local employees, who believed in the Joint Declaration's promise of "Hong Kong people ruling Hong Kong" with a "high degree of autonomy", are dejected about the current turn of events. "In theory, what China wants is a smooth transition," says one. "But in essence they want to control HK from behind the scenes. They are only interested in those who will follow what they say."

Weizman elected Israeli president

By Roger Matthews in Jerusalem

MR EZER WEIZMAN, one of Israel's most colourful and controversial politicians, was yesterday elected as the country's seventh president.

A supporter of direct contacts with the Palestine Liberation Organisation and a man who finds his opinions difficult to contain, Mr Weizman can be expected to push to the limits the remit of his mainly ceremonial post.

"I think I know what I am forbidden to do, but I am not yet clear what I am allowed to do," he said after winning the vote by members of the Knesset (parliament).

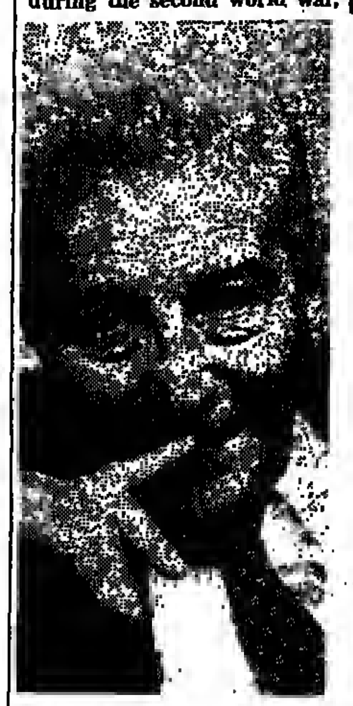
Mr Yitzhak Rabin, the prime minister, was quick to enlighten him.

He said Mr Weizman well understood presidential responsibility, which was to unite the people, help the government and advance its goals without being political.

Israel's new president is one of the country's few politicians who have moved from right to left across the political spectrum.

The architect of Israel's air victory in the 1967 six-day war, he guided the Likud party to its shock electoral triumph in the 1977 general election and was the only politician in Israel to strike up a personal relationship with President Anwar Sadat after the Egyptian leader's visit to Jerusalem later that year.

Mr Weizman, who learned to fly with the Royal Air Force during the second world war, joins fellow-pilots Assad of Syria, Mubarak of Egypt and Hussein of Jordan st the centre of Middle East peace efforts.

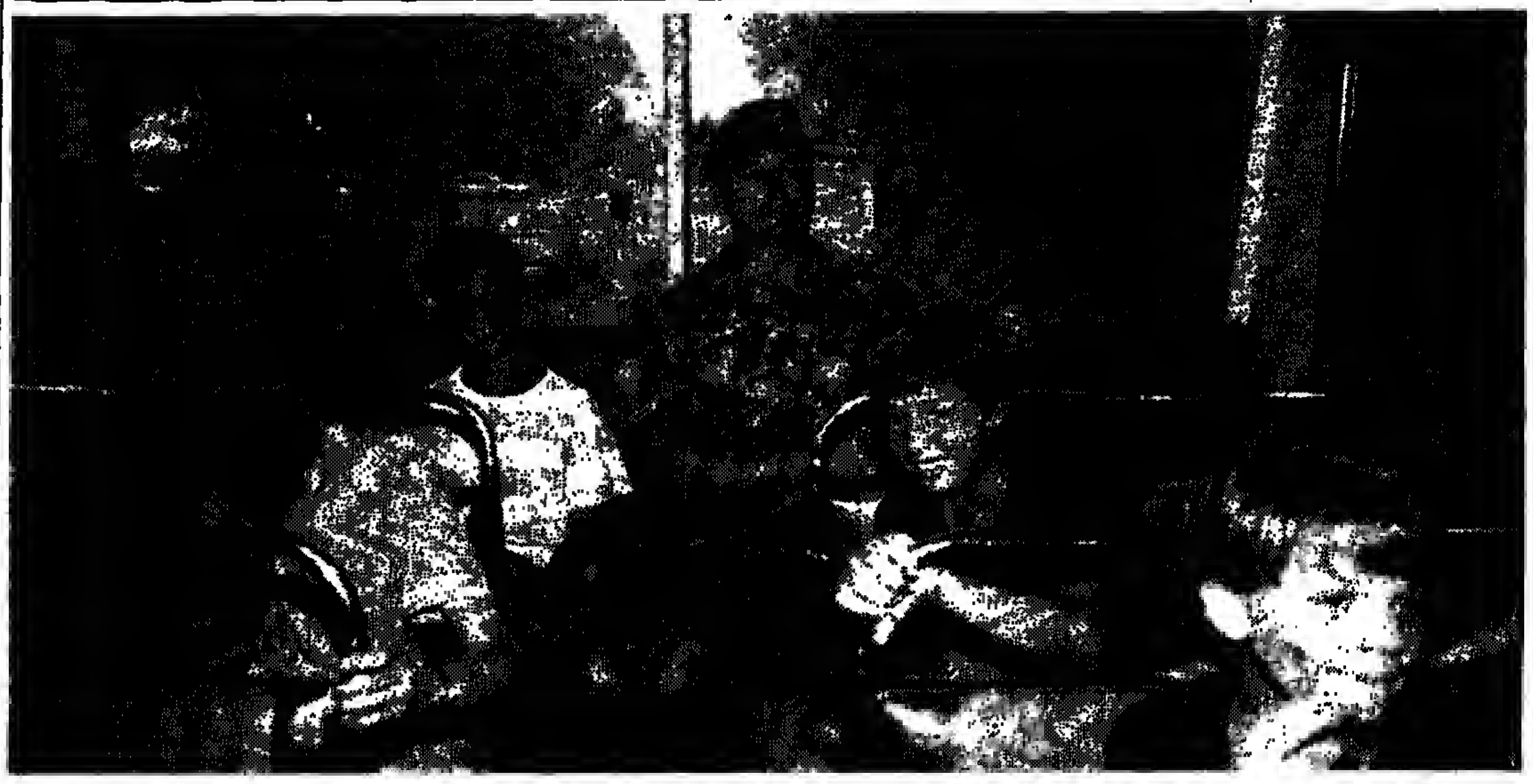


Weizman: has moved across the political spectrum

Mr Shevach Weiss, speaker of the Knesset, saw it as an omen that the peace process was about to take off.

How far it might fly will be more emphatically affected by another Israeli election yesterday where four candidates are fighting for leadership of the Likud party. Likud is historically committed to the idea of a greater Israel which includes the Arab occupied territories.

With the result due to be announced today, the likely victor is Mr Binjamin "Bibi" Netanyahu. He is seen by his supporters as the modern, televisual riposte to the ageing generation of politicians represented by Mr Weizman and Mr Rabin, but by his detractors as shallow, superficial and self-centred. If no candidate wins 40 per cent of the votes cast by an estimated 200,000 Likud members, a second round will be necessary.



SOUTH AFRICAN children enjoy the excitement of travelling with an armed soldier on the school bus to Eikenhof and Walkerville, south of Johannesburg. Security has been tightened after an attack by black gunmen on a car during a school run in the Walkerville area, when a woman, her son and another child were killed

De Klerk to crack down on violence

By Patti Waldmeir in Cape Town

PRESIDENT F.W de Klerk told a joint sitting of South Africa's parliament in Cape Town yesterday that he would mobilise military reservists in a crackdown on what he called "barbaric" political violence.

Mr de Klerk has recently been facing a public outcry over attacks on whites by blacks, in which several people, including schoolchildren, have been killed. His ministers have raised the fear that such attacks could spark revenge violence, and spiralling inter-racial conflict.

Mr de Klerk said a solution to political violence should top the agenda at multi-party democracy talks due to begin again next week. Parliament would be asked to vote on suspending the moratorium on the death penalty adopted three years ago.

He favoured the death penalty for certain extreme crimes, but MPs would be allowed to vote according to their conscience.

Recalling the slaughter of six black schoolchildren near Pietermaritzburg earlier this month and last Friday's killing of a mother and two children near Johanneshurg, he said: "This is barbaric and totally unacceptable in a civilised society." Reservists would be mobilised to hoost security forces manpower in an unspecified "action plan" to stabilise troubled areas.

Mr de Klerk called on the radical Pan Africanist Congress (PAC) to distance itself from guerrilla attacks by its military wing, the Azanian People's Liberation Army (APLA), and said police had arrested 16 APLA members. More arrests would follow.

The government would hold ths PAC responsihle for APLA's actions, he said, hut refrained from repeating an earlier government insistsnce that the PAC repudiate APLA as a condition of its participation in next week's talks.

Black gunmen have killed 10 whites since Decemher in attacks on commuters, a cluh, a restaurant and a farm.

Keating reshuffle a 'generational change'

By Kevin Brown in Sydney

MR PAUL KEATING, the Australian prime minister, yesterday promoted six backbenchers to the cabinet in a reshuffle designed to keep the Labor party in government for the rest of the decade.

Mr Keating also moved several senior public servants and restructured a number of departments in an attempt to distance the government from the nine-year administration of Mr Bob Hawke, the former prime minister.

He said the reshuffle represented a "generational change" which would renew Labor's capacity to govern and prepare the party for the next election, due by mid-1996.

In an unexpected move, Mr Keating took personal responsibility for Aboriginal affairs at cabinet level, one of several non-economic portfolios he has identified as priorities following Labor's election victory last week.

The decision suggests that the government plans to accelerate attempts to achieve reconciliation with Aborigines and to negotiate a compromise on controversial land rights claims.

The other big surprise was the appointment of Senator Peter Cook, the former industrial relations minister, as trade minister within the cabinet. Mr John Kerin, the sacked former trade minister, was not a member of the cabinet.

Senator Gareth Evans remains foreign minister, with the added post of government leader in the Senate.

The economic ministries are unchanged. Mr John Dawkins stays on as treasurer and Mr Ralph Willis remains as finance minister.

In other moves, Mr Keating doubled cabinet representation of the health and housing department, and created separate ministries for Pacific Island affairs, schools and training, and regional affairs (within Australia). He also streamlined the cabinet committee system, drawing criticism from environmental groups angry about the abolition of the sustainable development committee, which co-ordinated big development projects.

In the public service, Mr Ted Evans, Australia's chief representative at the International Monetary Fund, becomes head of the Treasury, replacing Mr Tony Cole, who is thought to have clashed with Mr Dawkins.

Mr Cole and four other department heads will move to other departments or to overseas posts.

The most senior of the new members of the cabinet is Senator Graham Richardson, a long-serving former minister who resigned last year after allegations about his relationship with a businessman facing fraud charges.

The other new cabinet members are Mr Alan Griffiths, industry; Senator Bob McMullan, arts; Mr Laurie Brereton, industrial relations; Mr Michael Lee, tourism and resources; Mr Peter Baldwin, social security; Mr Duncan Kerr, justice; and Mr Michael Lavarch, attorney-general.

Mr Baldwin and Mr Griffiths were formerly junior ministers.

Bank chief damps Labor's upbeat mood

Australia's newly elected leaders are urged to cut budget deficit, writes Kevin Brown

LESS than two weeks after its surprise victory in Australia's federal election, the Labor party's celebrations have been unceremoniously interrupted by Mr Bernie Fraser, governor of the Reserve Bank.

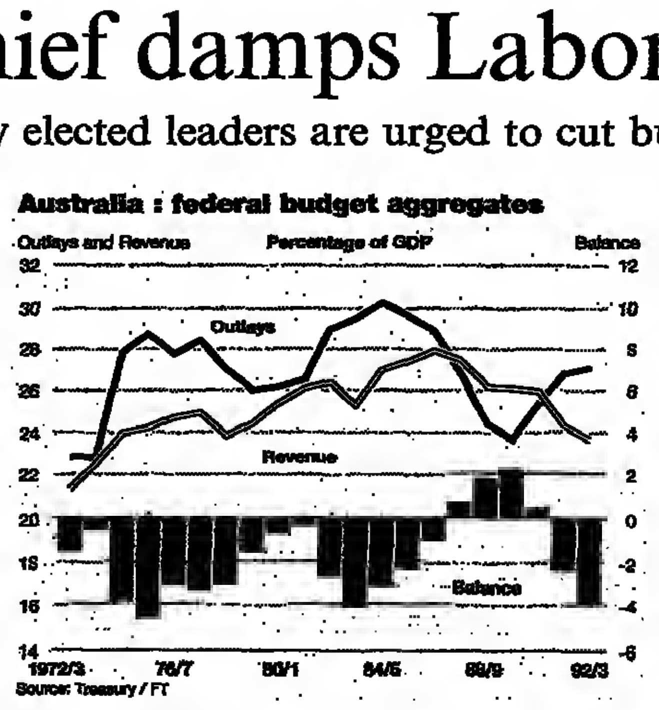
Mr Fraser obliged the government on Tuesday by cutting official interest rates by 0.5 percentage points to 5.25 per cent, effectively redeeming one of Labor's election promises.

The governor said easier monetary conditions would help to accelerate Australia's sluggish recovery from the 1990-91 recession, which has so far been too weak to reduce unemployment from near record levels.

But he also warned that a sustained increase in business investment, a prerequisite for long-term economic growth, would not take place unless there is a substantial reduction in the federal budget deficit.

Mr Paul Keating, the prime minister, brushed off a similar warning during the election campaign, claiming that it was aimed at the conservative opposition's plans to introduce a goods and services tax (GST).

Mr Keating argues that the budget slipped into deficit in 1991-92 because of the cyclical effects of the recession, and claims that faster economic growth will virtually balance the government's books by 1996-97.



Source: Treasury / FT

But Mr Fraser's warning adds weight to claims by many economists that the bulk of the deterioration reflects structural changes in the composition of the budget which will not be eliminated by recovery.

Mr Bill Shields, chief economist at Macquarie Bank, says that even before including election promises worth A$2bn (£980m), the federal budget deficit is likely to rise from A$15.9bn this year to A$16.3bn in 1993-94, equivalent to 3.6 per cent of gross domestic product.

Worse still, he forecasts that the net public sector borrowing requirement, which includes state budgets, will rise to nearly 6 per cent of GDP next year, excluding asset sales. This compares with net repayments of nearly 2 per cent of GDP in 1988-89.

The danger is that this increased call on savings will impede private sector investment by pushing up real long-term interest rates. But balancing the budget will not be easy.

Paradoxically, the government's success in reducing inflation to 0.3 per cent will reduce growth in revenue by limiting the impact of partial tax indexation, or "fiscal drag."

In addition, Labor's pre-election manoeuvring included legislation guaranteeing A$8bn in personal tax cuts in the two years to 1996.

The opposition parties, which control the Senate, are unlikely to allow Mr Keating to withdraw the reductions, even if he thought it politically sensible.

In its pre-election economic statement, the government forecast that accelerating growth would reduce the federal budget deficit to about 1 per cent of GDP by 1996-97, which would stabilise federal government debt at about 21.6 per cent of GDP.

Macquarie Bank's analysis suggests that such an outcome could be achieved only by substantial cuts in government spending – A$4.4bn over four years if real growth averages 4.25 per cent, or A$10.5bn on the more realistic assumption of 3 per cent average growth.

But the real fiscal position may be even worse.

Mr Geoffrey Lehmann, a partner in Price Waterhouse, the accountancy firm, calculates that Labor's policy announcements since the last budget, including uncosted election promises, will reduce revenue by a net A$11bn net over the next four years.

If this view is correct, the government will be forced to abandon hopes that revenue growth will correct the deficit, and will have to make hard choices about spending cuts in the next budget, due in August.

Like many economists, Mr Lehmann thinks Mr John Dawkins, the treasurer, will be forced to raise taxes to bridge the gap, probably by widening Australia's relatively narrow indirect tax net, which is equivalent to about 8.5 per cent of GDP, compared with the OECD average of 11.8 per cent.

The neatest solution would be to introduce a GST, which would work in the same way as Europe's value added tax. However, the government's vehement campaign rhetoric has closed off this option for the foreseeable future.

The most likely alternative is a substantial increase in the existing sales tax, which was streamlined by the government last year, possibly with future revenue-raising needs in mind.

Handled carefully, a substantial increase in revenue could be achieved in conjunction with a rebate system to remove existing taxes on business inputs.

Ironically, such a tax would look very like a GST.

Nigeria warned on debt repayments

By William Dawkins in Paris

WESTERN creditor governments warned Nigeria yesterday that new loans might dry up if it failed to reduce its $3bn to $4bn (£2.23bn to £3bn) arrears on official debt repayments.

The warning was issued to Mr Oladele Olashore, the Nigerian finance minister, who was summoned to appear for two hours befora the Paris Club of official creditors to explain why the country had fallen so far behind on payments so soon after its last agreement lapsed a year ago.

"The Nigerians were told that it will be difficult to get new money unless they regularise their payments," said an official. Sevsral creditors feel that they are in a difficult situation, he said. It is very rare for finance ministers to be asked to the Paris Club's regular monthly working level meetings, a mark of lenders' concern over Nigeria's case.

Mr Olashore was told that Nigeria will get the debt relief it so badly needs only if it gets an IMF agreement. He told sceptical creditors that Nigeria boped to get such an agreement before the general election, due to bring a civilian president to powerin August.

Nigeria is struggling with a worsening balance of payments crisis and pressure on its currency, which have together eaten away at much of its foreign reserves, now the equivalent of less than eight weeks' import cover.

By the end of last year, it had $27.6hn foreign debt, of which $16.5bn was owed to the Paris Club.

Greenspan cautions on tax increases

By Michael Prowse in Washington

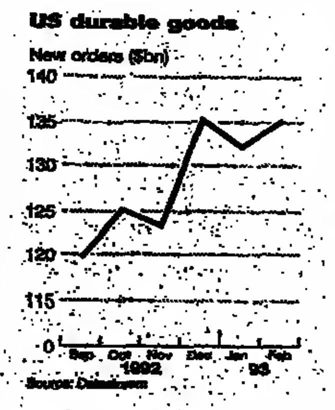
THE US Federal Reserve chairman, Mr Alan Greenspan, yesterday stepped into the political debate about deficit reduction by urging greater reliance on spending cuts than on tax increases.

The federal budget deficit was a "malignant force" that was threatening the economy's stability, Mr Greenspan said. He warned Congress not to rely too heavily in the long run on tax increases which "by their very nature restrain business activity".

He was testifying on Capitol Hill following the release of official figures showing an increase in new orders for durable goods of 2.2 per cent last month and 14.5 per cent in the year to February – another sign recovery is on track.

Mr Greenspan has previously argued that the Fed should stay aloof from political wrangles about the relative merits of tax increases and spending cuts – decisions which are the responsibility of Congress and the White House.

Without challenging specific elements of the administration's economic plan, Mr Greenspan yesterday appeared to lend support to Republican critics arguing for greater spending restraint.



He said senators should recognise that "trying to wholly, or substantially, address a structural budget deficit by increasing revenues is fraught with exceptional difficulties, and is more likely to fail than to succeed".

From 1997, budget outlays were set to rise appreciably faster than the tax base. "If such trends aren't altered, stabilising the deficit-GDP ratio solely from the receipts side, not to mention reducing it, will necessarily require ever-increasing tax rates." This would inevitably damp long-term growth prospects.

Addressing possible reforms of the budgetary process, Mr Greenspan rejected a balanced budget amendment to the constitution because it would probably prove impossible to enforce. Instead, he favoured a constitutional amendment stipulating that "all revenue and spending initiatives require super-majorities – for example, 60 per cent – to pass both houses of the Congress".

If combined with "sunset legislation" imposing explicit termination dates for spending programmes, this might help "neutralise the obvious propensity of our political system toward structural deficits".

Tha increase in durable goods orders was larger than expected on Wall Street but mainly reflected a 10.9 per cent surge in orders for transport goods which tend to be volatile on a monthly basis. Excluding transport, orders fell slightly.

Orders for non-defence capital goods excluding aircraft – seen as the best guide to underlying civilian investment trends – rose just over 2 per cent last month and by 15 per cent in the past year.

Senate backs Clinton tax proposal in narrow vote

By George Graham in Washington

THE US Senate yesterday narrowly backed President Bill Clinton's proposal to subject a greater proportion of Social Security benefits to income tax, defeating a Republican amendment to strip this measure out of the budget package.

The White House had no doubt the vote would be close, so Vice-President Al Gore, who by virtue of his office presides over the Senate, hurried to Capitol Hill in case his tie-breaking vote was needed.

In the event, Mr Gore's presence was not required, as Democrats mustered 52 of their 57 Senate members to back President Clinton. Four Democrats voted with the Republicans, including Senator Bob Krueger of Texas, who faces a by-election in six weeks to try to keep the seat he has filled since Mr Lloyd Bentsen became treasury secretary.

Senator George Mitchell of Maine, the Senate majority leader, defended the measure as a necessary component of the Clinton economic package.

"Our colleagues are now making an effort to derail President Clinton's momentum," he said. But Republicans claimed the measure was an unfair tax increase on middle and low income social security recipients.

Retired people now pay income tax on 50 per cent of Social Security benefits should income exceed $25,000 (£17,600) for a single person or $32,000 for a married couple. The new proposal would raise the taxable portion to 85 per cent.

US politicians have learnt from bitter experience not to tangle with the elderly, because they vote in far greater numbers than any other age group.

Caracas budget deficit set to fall

By Joseph Mann in Caracas

VENEZUELA'S public sector deficit was expected to fall from 3.4 per cent of GDP from more than 6 per cent last year, Mr Ricardo Hausmann, minister of planning, said yesterday.

The deficit is being reduced through a series of measures, including cuts in state spending and increased charges for public services.

Pressure on the beleaguered government of presidant Carlos Andres Perez has prompted further efforts this year to reduce official spending and boost revenues. This is in spite of government promises in its original budget of real cuts of about 20 per cent in public spending.

Taxes and royalties on petroleum exports, which are the main source of the Venezuelan government's revenues, have fallen dramatically in recent years as exports have declined.

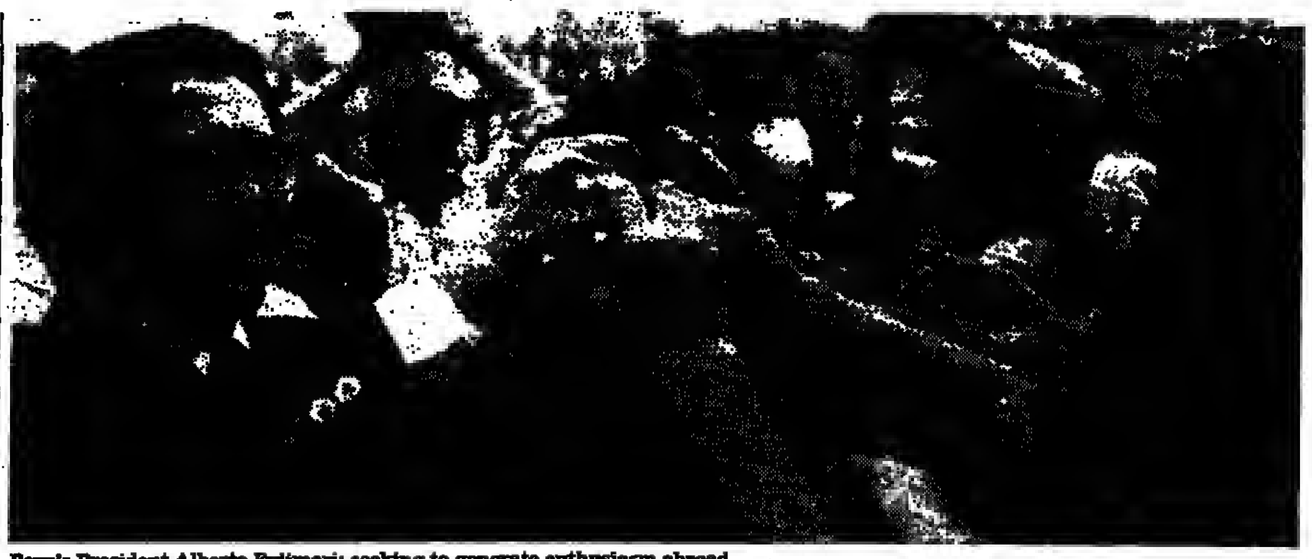
At the same time, the Venezuelan Congress has failed to approve two long-standing administration proposals for new taxes (a value added tax and a tax on assets).

Congress convened special sessions early this year to consider the tax bills and other issues. The special sessions ended and the ordinary term has begun, but the bills still have not been approved.

Congressmen and senators – facing electiona in December – appear to be worried that their already low levels of popularity would be worsened by the imposition of new taxes.

The Perez administration is also hoping it can raise extra revenues this year from its privatisation programme, which was stalled last year by two attempted coups and months of political turmoil.

The government raised over $2.3bn (£1.6bn) with 19 privatisations from 1990 to 1992. This year alone it hopes to raise a further $2bn from the sale of some important assets, including electric power companies and an airline.



Peru's President Alberto Fujimori: seeking to generate enthusiasm abroad

Government aims to lure wave of investors across Pacific

Peru lays out welcome mat

Sally Bowen on plans to attract immigrants with money to spend

IF YOU want a new nationality, have money to invest and can put up a non-refundable cash contribution of $25,000 (£17,605), you could soon become a Peruvian.

Last week, Peru waived the two-year waiting period for foreigners wishing to apply for naturalisation. The aim, according to President Alberto Fujimori and Mr Joy Way, a former industry minister, is to encourage immigration by Asian businessmen, especially from Hong Kong.

The government hopes a new wava of immigrants will bring technology, expertise and cash. Mr Fujimori is predicting a "first wave" of 10,000 immigrants, which would swell state coffers with $250m to aid emergency social programmes. "This is not a migration policy but an investment policy," he said at the weekend.

The drive for foreign investment gained fresh impetus last week when the International Monetary Fund gave the government a long-awaited stamp of approval for its economic reform programme.

Mr Fujimori plans to start travelling abroad again "to do business". Peruvian and Japanese businessmen have already arranged visits aimed at attracting investment to Peru.

Net direct foreign investment over the past 15 years has totalled only $700m. Recent investment commitments – by Anglo American in the Quellaveco copper deposits, by the Chinese Shougang Corporation in iron producer Hierro Peru, and by Petrotech in the ex-Belco drilling operation off Peru's northern coast – will, if fulfilled, more than double that figure in the next few years.

The country's fledgling privatisation programme is to be stepped up sharply with sales worth some $1.4bn scheduled for this year alone. Mr Daniel Hokama, mines and energy minister and head of the privatisation office, is repeating his predecessor's promise to "sell everything the state owns by 1995 – at the price determined by the market".

The main items for privatisation this year are the state mining and mineral companies Centromin, Mineroperu and Tintaya, the telecommunications sector, a slice of the nation's electricity industry, fish-meal and fish-oil company Tesca Peru, two state controlled banks, and part of oil giant Petroperu. All are among Peru's top dozen companies, in turnover if not profit terms.

Foreign consultants and investment banks, notably Coopers & Lybrand, Morgan Grenfell and Chase Manhattan, are advising on disposal of state assets. Privately, some express reservations about the speed with which privatisation is being pushed ahead. Country risk remains a consideration and investment banks predict difficulties in finding four or five rival bidders, even for sectors with as much growth potential as telecommunications.

Increasingly, foreign investment is seen as the panacea for Peru's continuing domestic economic ills. Recession stubbornly persists, with industry working at only 45 per cent capacity and gross domestic product still contracting after last year's 2.7 per cent fall. The sol remains heavily overvalued, making exports unprofitable and imports cheap.

Industry has been further squeezed in the drive to raise tax revenue. The manufacturers' society SNI claims industry currently contributes 59 per cent of all fiscal income.

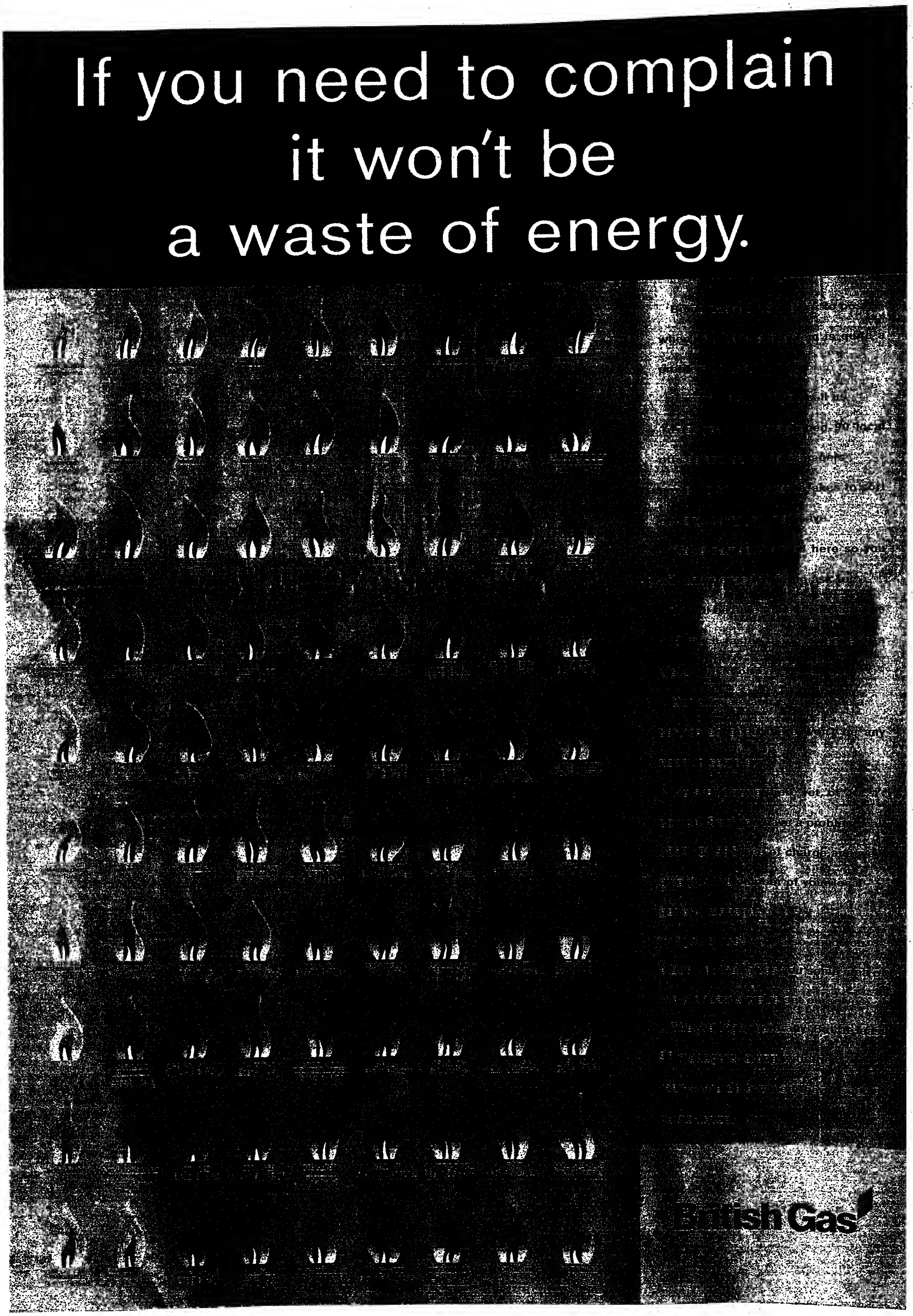
The society's recipe for economic revival includes a cut in value added tax from 16 to 5 per cent as the tax base is widened; a hefty cut in taxes paid by industry for basic services such as electricity, communications and fuel; implementation of a tax incentive scheme for exporters; and a sharp reduction in borrowing costs for business which are around 18-20 per cent.

It also favours drastic measures to halt large-scale smuggling. Industrialists estimate Peru is being flooded with illegally imported goods worth $1bn a year, a third of the value of legal imports.

Austere fiscal management and a two-year squeeze on liquidity, meanwhile, has failed to eliminate inflation. Monthly price rises are still running at around 4 per cent.

Mr Jorge Camet, the new economy minister, is promising "at least" 3.5 per cent growth this year and gradual progress in reducing inflation, devaluing the sol and cutting interest rates.

Opinion polls show popular approval of the economic programme at its lowest level (27 per cent) since August 1990's "shock" price adjustments. Economists remain suspicious that, without the uncompromising (and recently sacked) Mr Carlos Bolona at the fiscal and monetary helm, Mr Fujimori may veer from economic discipline towards economic populism.


If you need to complain
it won't be
a waste of energy.
British Gas

Heseltine ready for fight over coal pits

By David Owen, Ralph Atkins and Michael Smith

MR MICHAEL Heseltine, trade and industry secretary, will today launch an intensive campaign to win support for his policy on the future of the coal industry.

He has been encouraged by the early reaction of former Tory rebels to the outline of his proposals, expected to be published today in a new policy document.

At least two of the 11 Tory MPs who failed to support the government when its pit closure programme was debated last October appeared to have been brought on-side by reports that a package had been agreed to save or mothball between 12 and 19 of the threatened pits.

But there were still concerns that the government was putting in place what amounted to a short-term political fix and some of last year's rebels continued to pledge defiance.

A meeting of a dozen MPs in the coal group of Tory backbenchers was understood to have agreed to focus its efforts on improving the long-term prospects for coal if, as expected, the subsidies proposed by the government are limited to two years.

Intensive negotiations, meanwhile, were continuing last night in an attempt to conclude deals between the coal and electricity industries for coal. But it was uncertain contracts could be signed before the policy document, or white paper, was published.

Mr Heseltine is expected to back down from his previous insistence that these deals be signed before the white paper is published.

The policy will outline how up to 13 out of the 31 threatened pits can be saved, and about another six placed on a "care and maintenance" basis – in effect mothballed.

Others could be transfered to the private sector under a speeded-up privatisation programme. The government will offer a subsidy per tonne of coal – estimates for which vary between £5 and £12 a tonne – as well as proposals for expanding the market for coal and curbing imports. Subsidies are not expected to last more than two years.

There was scepticism among British Coal managers last night about whether the white paper would lead to many of the apparently reprieved pits staying open for as long as two years. The government won last October's vote with a majority of 13. If necessary, it could try to persuade them against entering the opposition lobbies once again. The votes of the party's nine MPs remain uncommitted.

Tories face Maastricht dilemma

By Alison Smith and Ivor Owen

BRITAIN'S opposition Labour party yesterday proposed a new amendment to the Maastricht legislation which could leave the government with the choice between not being able to ratify the treaty or having to accept the social chapter.

The amendment would prevent the ratification bill coming into force until the House of Commons had decided whather the social chapter should apply to the UK. This would mean a separate debate, after the bill had been through parliament.

In a further threat to tha government, it emerged that at a meeting on Tuesday, Euro-sceptics in the Conservative party had received legal advice which encouraged them to seek a judicial review of the attorney-general's opinion about the impact of a separate Labour amendment.

Last month, Sir Nicholas Lyell, the attorney, surprised MPs by contradicting foreign office lawyers' advice that accepting the amendment, which excludes the social chapter from the bill, would wreck the treaty.

If the amendment is passed, the Tory rebels are now determined to challenge his view.

The new Labour clause is being carefully studied by other opposition parties and by Tory rebels, but it would be a tortuous process to reach the point at which the government had to choose between not going ahead with Maastricht and adopting the social chapter.

To get there, Tory Euro-sceptics would have to vote explicitly for the social chapter, which they do not support, in the hope that ministers' vehement opposition to the chapter would mean that the UK government would prefer not ratifying to adopting it.

But if that were the choice, the government would come under severe pressure from many Tory backbenchers to accept the social chapter rather than wreck the treaty. They believe that more jobs would be lost through a fall in inward investment if the UK did not sign up to Maastricht than would be lost because of the social chapter.

One possibility would be for the Tory rebels to vote for the amendment to the bill, without committing themselves on how they would vote over the social chapter.

Tory Euro-sceptics repeatedly challenged claims by Mr Tristan Garel-Jones, a foreign office minister, that the court had already adapted to a less centralised role and was taking more account of the views of national governments.

In the Commons itself, on the seventeenth day of detailed discussion of the bill, government hopes of speeding up progress were given a boost when Liberal Democrat MPs helped it to secure a majority of 57 to curtail a debate on the role of the European Court of Justice.

Plans for rapid progress on the legislation were also helped after the centrist Liberal Democrats said they would not back five key Labour amendments. Sir Russell Johnston, Liberal Democrat European spokesman, said the party wanted to ratify the treaty quickly and criticised Labour tactics. "We are not here to play games with the future of Maastricht. That is what the Labour Party has been doing," he insisted.

Task force for Thames corridor plan

A CAUTIOUS step was taken by the government yesterday towards transforming the run-down swathe of riverside to the east of London into a prime development area generating thousands of new jobs, writes Richard Evans.

Mr Michael Howard, environment secretary, said he was setting up a task force to spearhead development of the East Thames Corridor to boost growth and create over 100,000 new jobs and homes.

The 30-mile corridor on both sides of the Thames from Docklands (pictured right from Canary Wharf) to the sea could becoma the bridgehead to Europe, he said.

The intention is to avoid the mistakes made in the London Docklands by ensuring that tha development of the corridor coincides with a big infrastructure programme.

MPs back privacy law to curb intrusion by media

By Guy de Jonquières

THE UK media faced a new clampdown yesterday after a House of Commons select committee recommended a law to protect privacy, state-funded legal representation for libel actions against the media and the creation of two new watchdogs with powers to punish intrusion by the press.

The report, by the national heritage committee, rejected the proposal by Sir David Calcutt, in a recent report to the government, that a statutory tribunal be established to deal with complaints against the press.

The committea, however, recommended that certain types of intrusion be made criminal and civil offences and proposed that the government appoint an new ombudsman with statutory authority to supervise the conduct of the media.

The report was criticised by national newspapers and industry organisations, which accused the committee of recommending costly and unnecessary intervention into the affairs of the press.

Sir Frank Rogers, chairman of the Newspaper Publishers Association, called it "an extraordinary document – diffuse and even incoherent".

Lord McGregor, chairman of the Press Complaints Commission (PCC), the self-regulatory body established in 1990, accused the report of "slovenly procedures".

The committee calls for a protection of privacy act which would make electronic bugging and trespass criminal offences. It would be a civil offence to to obtain or publish harmful or embarrassing personal material or photographs, to publish misleading personal information and persistently to intrude on privacy.

Britain in brief

Bank hints at devolving deposit role

The Bank of England hinted yesterday that its role as protector of bank depositors should be devolved to an outside institution.

Mr Brian Quinn, the director in charge of supervision, said that current arrangements for supervising and regulating banks "may have to be reconsidered". Although his speech gives few details on this issue, it is understood that Mr Quinn believes there is a distinction to be drawn between his department's two main functions: the protection of the financial system and the protection of depositors.

Revaluation of assets urged

Companies will be required to revalue regularly most of the assets shown in their accounts, under radical proposals issued by the Accounting Standards Board. They would need to show properties, quoted investments and commodities in their balance sheets at current values which are up-dated every few years.

Credit card computer check

A computer system designed to block criminals as they attempt to use a credit card, will be launched by Barclays Bank on April 1. The system is the first of its kind and is aimed at reducing credit card crime.

The new computer system – known as Fraud 2000 – will first compare the purchase being made to a number of common indicators of card fraud, such as the number of transactions made in one day or the amount being spent. If its electronic eyebrows are raised, it will compare the purchase to the normal pattern of spending by the customer.

Ulster power sale cleared

The delayed privatisation of Northern Ireland Electricity (NIE) is to go ahead early this summer in a sale likely to raise about £300m. The decision to go ahead follows European Community approval for a £60m grant towards a £200m investment programme involving a new power line from Scotland.

More jobs at Lucas venture

Lucas SEI, a joint venture company of Lucas Industries and Sumitomo of Japan operating in Nawcastle under Lyme, Staffordshire, is planning to take on an extra 150 employees as its production of car wiring systems builds up.

The company has contracts to supply not only the new Toyota plant at Burnaston, central England, but also Rover and Honda.

High costs of sports injuries

Injuries caused playing sports cost Britain £405m a year in lost production and 8m days are taken off sick, according to the Sports Council.

UK 'leads world' in meeting Rio targets

By Bronwen Maddox and Paul Cheeseright.

MR JOHN MAJOR, the prime minister, yesterday claimed that "the euvironmental buck stops in our backyard" and that Britain was in the international lead in implementing the targets set by the Rio Earth Summit.

Speaking at the opening of the Global Technology Partnership conference in Birmingham he announced a package of measures to help businesses adopt new technology and to encourage energy efficiency.

The UK would also publish its plan for "sustainable development" – one of the policies agreed at Rio policies – by the end of the year, he said.

Opposition MPs and environmentalists attacked the new technology measures as insubstantial and said that the energy efficiency schemes were not new and would do little to cut carbon dioxide emissions.

Mr Andrew Lees of Friends of the Earth, the pressure group, called the speech "an own goal. Now that Mr Major has claimed that the buck stops here he cannot make the UK's target of returning CO2 emissions to 1990 levels by the year 2000 conditiooal on similar action by other countries".

The new measures announced are:

- A global technology partnership initiative "to create a green virtuous spiral of growth and higher environmental standards." The scheme will run for three years. Companies will be asked to help counterparts in industrialising countries to bypass old technologies.
- A Hands-On Training Scheme, through which the department of trade and industry will meet half of the costs of British companles offering training to executives from companies overseas. The eligible costs include training, *including* travel to and from the UK, accommodation, and *medical insurance*.

Mr Major also cited two recently-launched energy efficiency schemes in the UK's plan to combat global warming.

- The Energy Management Assistance Scheme, in operation since April 1992 to encourage energy efficiency in small businesses. Companies with up to 500 employees worldwide can apply for grants from the department of the environment to cover up to 10 per cent of the costs of energy efficiency projects which offer a good chance of achieving anergy savings of more than 10 per cent. The DoE's energy efficiency office has received 1000 applications and payments to companles are running at £15,000 a week.
- The Energy Saving Trust, one of the main "green" pledges in the government's election manifesto last spring. The Trust is intended to identify ways in which the gas and electricity utilities can help householders save energy.

Mr Chris Smith, opposition environment spokesman, said: "There is little that is new here – It clearly does not amount to a national energy efficiency policy."

Proposals for a register of **contaminated land have been** ***abandoned*** **after "*snbstantial* criticism", the government said yesterday following weeks of speculation. A "new wide ranging review" examining how local authorities might play a greater part would replace the register, said Mr Michael Howard, environment secretary. Property developers and surveyors yesterday welcomed the move, which they argued would have caused blight of property values across the country, including np to a third of the Midlands. Bnt they criticised the lack of a new policy to tackle the problem of polluted land.**

UK trade deficit in clothing at record £3.8bn in 1992

By Daniel Green

BRITAIN'S trade deficit in clothing and textiles reached a record £3.8bn in 1992, almost one third of the total trade deficit, according to an industry report published today.

Imports rose 7 per cent to £3.6bn as overseas manufacturers took advantage of the strength of sterling before it left the ERM in September 1992, says the report from the Apparel Knitting and Textiles Alliance (AKT), the industry's representative body.

"The continuing erosion of the industry's home base by imports is an extremely worrying trend," said Mr Allan Nightingale, the chairman of AKT.

The strongest rise in imports was in clothing, 18 per cent higher in the final quarter of 1992 compared with 1991; the orders were placed before sterling's devaluation.

Hong Kong remains the largest supplier of apparel to the UK, with sharp growth registered from other parts of Asia and Eastern Europe.

UK exports rose more slowly than imports but nevertheless reached a new record of £4.8bn, up 6 per cent on 1991.

Clothing exports rose 13 per cent in the final quarter to a record of more than £2bn.

Germany remains the biggest single market for British clothing and textiles with sales of £580m, slightly lower than in 1991.

The report was, however, optimistic on the long term effects of the weakness of sterling on import substitution increased export opportunities.

BP rejects operators' criticism of budget plans

By Deborah Hargreaves

BRITISH Petroleum hit oot yesterday at claims made by other North Sea operators that the oil tax changes announced by the government would severely curtail exploration activity in the UK.

Bnt oil rig owners said they had already seen four drilling programmes cancelled since the budget last week.

Mr Norman Lamont, chancellor of the exchequer, said in the budget he would reduce the rate of Petroleum Revenne Tax (PRT) from 75 per cent to 50 per cent. He also abolished tax allowances for exploration.

The divergent views between winners and losers of the government's largest overhaul of North Sea taxes for 10 years are leading to a serious row in the oil industry.

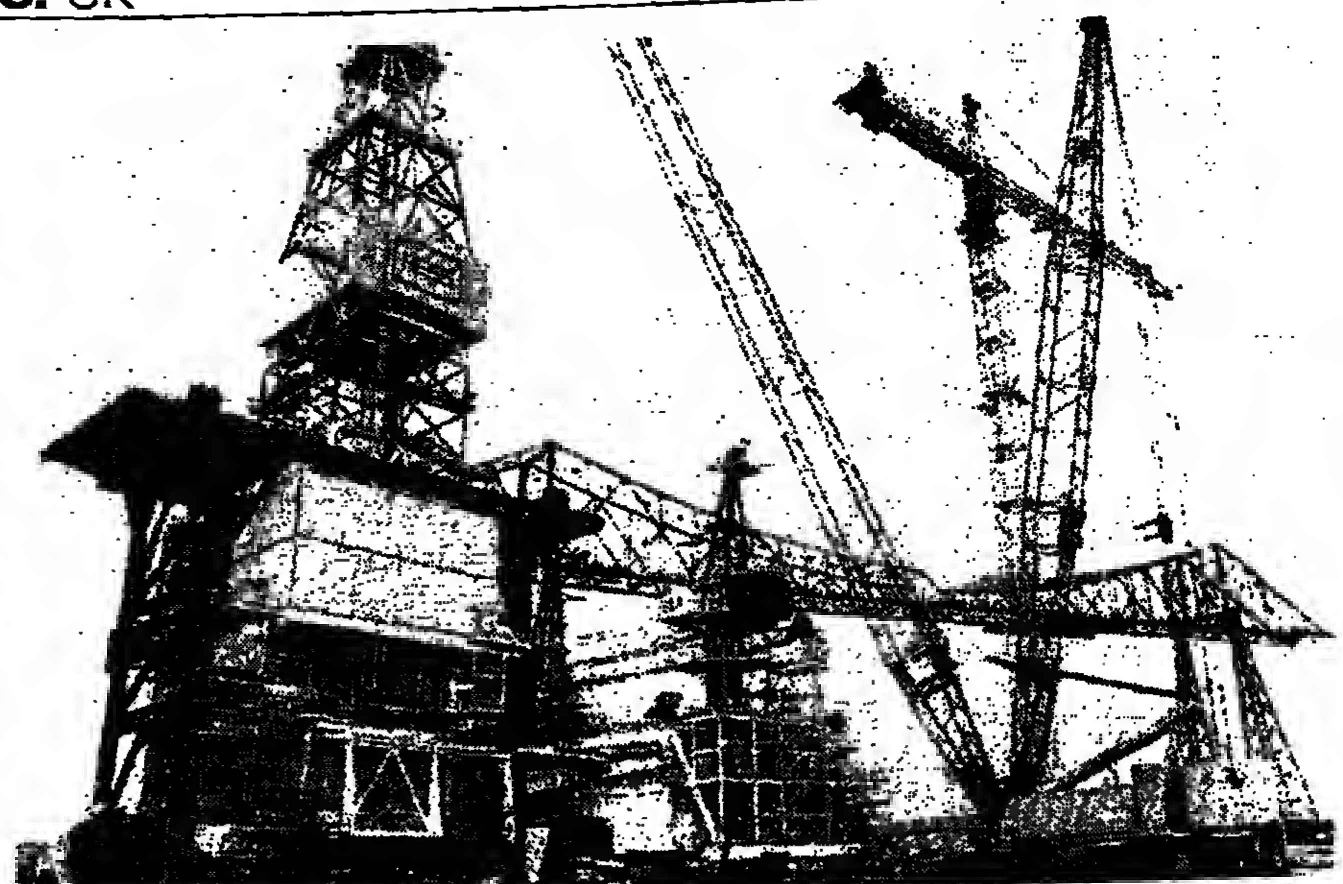
Mr John Browne, BP's exploration director, said comments by the UK Offshore Operators' Association, the industry gronp, denouncing the chancellor's reforms were "hasty and inappropriate."

He maintains the PRT reforms are overdue because the taxpayer has spent 30 years of snbsidising what has often been wasteful oil exploration. The number of wells that make commercial oil finds has dropped in the past five years from one in four to one in seven, according to BP.

Bnt rig owners have also issued warnings of the consequences of the budget proposals. Mr Mike Salter, chief executive of Smedvig, a drilling rig operator, who is also chairman of the British Rig Owners Association, said the proposals are going to increase the number of idle rigs.

He said 40 per cent of the drilling rigs in the North Sea are already idle after exploration work fell by 32 per cent last year because of low oil prices and high costs.

Mr Browne does not believe the proposals will kill off exploration work, but make it more cost-effective. He said the reduction in the PRT rate for existing fields will encourage companles to improve the recovery of oil.



Oil rig construction at yards such as SLP on Teesside, above, could be cut amid complaints at government budget proposals

Tax regime threat to rig makers

Andrew Taylor on PRT and North Sea oil and gas fabricators

THE threat by Amerada Hess to halve its North Sea oil exploration programme bodes ill for Britain's offshore oil and gas fabricators.

Amerada, one of the most active companies in North Sea exploration, has threatened the cut if the government goes ahead with budget proposals for changes in the petroleum revenue tax regime.

Rig manufacturers have already seen a dramatic drop in work since the Autumn. Two thirds of the 18,000 workers employed six months ago in fabricators' yards have lost their jobs. One yard has been mothballed.

Further rationalisation and closures are inevitable, says the Industry, with capacity running well ahead of orders. A desperate situatioo could be made even worse if oil producers further reduce exploratioo. Some fabricators may be forced to pull out of the market altogether.

The industry believes that up to half the 12 yards operated by the sevan largest fabricators – Amec Offshore, Highlands Fabricators, McDermott Scotland, Redpath, RGC, SLP and UIE Scotland – may be vulnerable.

Mr Syd Fudge, chairman of the Offshore Manufacturers and Constructors Association, which represents the seven fabricators, fears that the few remaining opportunities for British companies to tender for North Sea work may he reduced even further as a result of the Conservative government's policies.

Under the budget PRT proposals, extraction from existing fields will become more economic, while operators will no longer be able to offset exploration costs against the profits from existing fields.

The changes could not have come at a worse time for fabricators. A large drop in orders had been expected as the North Sea construction cycle began to ebb.

Investment emphasis is likely to change – most of the large more easily extractable oil and gas fields were discovered when oil prices were equivalent of $40 to $50 a barrel in today's money.

Future fields are likely to be smaller, more complex and more costly to develop, say producera. Recession, and the fact that oil prices are not expected to rise substantially in real terms, will limit further spending.

Investment, they say, is more likely to be in repair and maintenance rather than construction of large new rigs. Production facilities are likely to be smaller, with new units hooking up to existing larger production platforms.

This will mean less need for large assembly yards many of which are in the former shipbuilding areas of north east England and Scotland.

Numbers employed in the yards since September have fallen from 18,000 to approaching 6000. Turnover of £1.5bn last year is likely to fall to just £500m this year.

McDermott, the US owner of the Ardersier yard, near Inverness, and one of northern Scotland's biggest employers, has announced it is making most of its remaining 500 workers redundant. The yard which 18 months ago employed 3,500 bas run out of orders.

Closures and "moving to little more than care and maintenance," as in the case of Ardersier, will further damage local economies.

The three yards operated by Amec at Wallsend, Newcastle, generated a turnover of £200m last year of which it estimates 80 per cent found its way into the local economy. This year turnover is likely to be nearer £100m – a net loss to the local community of about £60m.

Companies are looking to overseas work to offset the decline. In most cases this will involve selling management expertise rather than providing employment for British workers, materials and components suppliers. The exception is for work for the Norwegian sector of the North Sea, hut competition is tough, aod tends to favour the home players.

MANAGEMENT: MARKETING AND ADVERTISING

Out of step on the catwalk

The fashion show may have had its day, writes Alice Rawsthorn

This time last week more than 2,000 journalists, photographers, store buyers and socialites squeezed into a marquee in a courtyard of the Louvre museum for the traditional highlight of the Paris fashion collections – the Chanel catwalk show.

For years other fashion houses have tried, and failed, to trump the theatricality of the Chanel show. But times are changing. The pressures of recession, combined with the neo-hippy ethos of the early 1990s, has prompted some fashion designers to reassess their attitude to fashion shows.

Yohji Yamamoto and Comme des Garçons, the Japanese designers, scaled down their shows last week. Others, including Martin Margiela,

did not stage shows at all.

The fashion show, which lasts for around 45 minutes and costs anything up to $500,000 (£347,000), is a critical part of a designer's marketing strategy. It is not only their largest area of promotional expenditure but replaces conventional advertising as their chief vehicle for communication with the media and their retail customers.

The cost of shows escalated in the buoyant fashion market of the 1980s. The designers were trapped in a vicious cycle of staging increasingly spectacular shows to generate media coverage so they could reach the ordinary consumers who bought their licensed products, such as Chanel No5 perfume and Christian Dior tights. The chief beneficiaries were the super-models, Linda Evangelista or Claudia Schiffer, who by the late 1980s charged up to $20,000 a show.

The industry can no longer afford such extravagance. The Paris designers' sales fell from FFr5bn (£603m) at their 1990 peak to FFr4.3bn last year, according to the Chambre Syndicale, which organises the Louvre shows. Many fashion houses have serious financial problems. The latest issue of Harper's Bazaar, the US fashion magazine, questions whether expensive shows are justifiable in an article entitled "Must The Show Go On?"

Ostentatious shows are also out of tune with the times. The informal fashions of the early 1990s look lost in the huge Louvre marquees, as do the new breed of "wraith" models, Kate Moss and Lucie de la Falaise, who have ousted the supermodels.

Yohji Yamamoto and Comme des Garçons left the Louvre this season. "Money isn't the issue," said Comme, which presented its collection in a deserted vegetable market. "It's a question of mood."

Younger designers refuse to show in the Louvre as part of their rebellion against the fashion establishment. The most fashionable events in Paris last week were staged in night clubs, art galleries or, in the case of Xuly-Bët's show, the toy department of the Samaritaine store.

Martin Margiela, a leading avant garde designer, went further by abandoning his show. He presented his clothes personally in his studio and filmed his collection in a "home movie" video to create a "more empathetic environment" for his work.

Other designers may follow by cancelling or scaling down their shows. This raises the risk that fewer journalists and buyers will come to the Paris collections, thereby jeopardising the city's status as the international fashion centre and imperilling the Chambre Syndicale's plan to move the catwalk shows this autumn to a permanent complex under the Louvre.

In the long term the decline of the conventional collections may make it more difficult for young designers to make their names on the international scene. It could also force the established houses to spend more on conventional marketing which could be even more expensive than fashion shows.

Profits and the white-collar conscience

John Gapper looks at the Co-op bank's success

One of the most difficult problems facing British retail banks is how to attract the right customers. The explosive growth of personal bank accounts during the 1980s has gained banks many customers with unprofitable accounts. They are now trying to improve the mix by being more selective.

The customer that banks want has two characteristics: he or she holds a high balance in a current account, thus providing the bank with deposits it can re-lend, and so paying for the cost of clearing services; and he or she is likely to buy other products such as insurance.

This has led many banks to concentrate on "high net-worth" individuals, well-educated, aged 25-40, with a white-collar job paying at least £20,000 per year. The banks' marketing challenge is to devise ways of sifting out these sort of customers.

An eclectic way of doing so has been discovered by the Co-operative Bank, a small bank owned by Co-operative Wholesale Society. It has been running a £1m advertising campaign in cinemas and newspapers advertising the bank's "ethical" stance towards selecting business. The advertisements emphasise the bank does not deal with companies involved in blood sports, factory farming and the production of animal furs. It also refuses financial services to tobacco companies, cosmetics manufacturers who test products on animals and companies that pollute.

The response to the campaign has been striking. The bank's retail deposits rose by 13 per cent last year following the public launch of its stance last May. Half its new customers – among a total base of 2.3m – mentioned the ethical stance as a reason for joining the bank in its internal surveys.

The suggestion that this campaign is so neatly targeted as to be duplicitous is greeted with a twinkle of the eye by Terry Thomas, Co-operative Bank's managing director. "There is certainly a very good fit. But what bank would want to attract low income, badly-educated, ignorant people?" he says.

The idea of the Co-op having a disproportionate number of customers in the ABC1 social bracket often provokes disbelief, because of its roots in the early socialist movement. Yet it is well-placed because it has always attracted public-sector professionals such as architects.

The campaign is intended to reinforce this market position and boost products such as the gold card which it offers to high earners.

There was internal debate about making the stance public because directors were concerned it could repel people. Thomas says it lost a few accounts from disgruntled customers. It has also faced external challenges. The Chemical Industries Association and the Cosmetics Association complained to the Advertising Standards Authority about references in advertisements to the "spewing of toxic waste" and animal testing. Both complaints were rejected.

Despite the hurdles, the campaign has been effective in appealing to a precise set of customers whom most retail banks now covet. Efforts by others to appeal to individuals with both finely tuned social consciences, and money to spend, would not come as a surprise after the Co-op's success.

Companies underestimate client loyalty, argues Lucy Kellaway

Keeping hold of the customer

Companies have long known that the customer is king, yet when a customer abdicates few are aware of the event, let alone understand the reasons for it.

Evidence from the US and the UK shows it can be up to five times cheaper to serve existing customers than to get new ones. Yet most businesses still put more effort into increasing the size of their market than keeping the section they have already.

According to Price Waterhouse Management Consultants, British industry loses £100bn a year in sales when customers defect and a similar amount in marketing, sales and distribution expenses.

In a survey of the UK's top 200 companies Price Waterhouse found that barely one in 10 keep tabs on how many customers leave them each year. Only one third provide any link in staff pay to customer satisfaction, while nearly half admit their sales forces are inadequate to meet the needs of their existing customers.

In the US, companies are keener to monitor their clients, but are still no closer to keeping them. According to Frederick Reichheld, of consultants Bain and Company, most companies' attempts are *ad hoc* at best.

Writing in the latest Harvard Business Review, Reichheld argues that customer loyalty should be the first building block of a business plan. Such an approach can reap handsome rewards: MBNA, a credit card company, found a 5 per cent rise in customer loyalty increased profits by 60 per cent after five years.

The first step is to find the right customers – those that are likely to stay for the long haul – and also identify the wrong ones – those that are transient or a drain on a company's resources. While it is not always easy to spot the stayers, those who come through personal referral are usually more loyal than those responding to an advertisement. Older people and home owners are more likely to stay.

For each company the target group of customers will be different; the more homogeneous the group the easier – and cheaper – it will be to address their needs.

The next step is to develop a strategy to win this type of customer. A cut-price promotion is almost certainly a waste of time, as it will invite those likely to defect. Attempts to recover defectors may also backfire if those customers are disloyal by nature.

Once it has found its target customers, a company must keep them sweet. This involves not only a dedication to quality of product and service, but also to serving evolving needs. One US company practised this "lifecycle marketing" to effect by supplying the increasingly chubby middle-aged consumers of its fattening cakes a fat-free alternative.

Companies should take care when they monitor the customers that leave. Somebody who stops buying dog food because the dog has died is not worth pursuing, while one who has switched to another brand may present a serious challenge: the company must find out why its product has been shunned.

Another way of keeping customers is to keep workers, on the grounds that long-serving employees are more in tune with what faithful customers want. This means being generous with pay, and structuring incentives so that bonuses are based on customer retention and commissions on how long the customer stays with the company. It also means choosing employees with great care; the length of time a candidate has spent with a previous employer could be as critical as their qualifications.

In the UK some of these ideas are being practised in insurance and financial sectors, where companies have long treated different sorts of customers differently. Other companies have been too keen on getting costs down to think about much else. Yet on Price Waterhouse's evidence nine out of 10 companies recognise that customer retention should be an important part of their strategy. It may be just a matter of time before they start to do something about it.

TECHNOLOGY

Making bright ideas shine

Successful inventions are one in a million. Andrew Fisher begins a series on how to avoid the pitfalls

Innovation

INVENTORS often fall in love with their ideas and find it hard to stop talking about them. But ask them what their advice would be to anyone else struck by an original idea and keen to make it commercial, and their reply tends to be: forget it.

"It takes a lot of courage, faith, and obstinacy," says James Dyson, a successful designer-inventor whose products include the Ballbarrow - a wheelbarrow with a pneumatic ball instead of a wheel - and a new vacuum cleaner using high-speed cyclone technology.

"Having the idea is the easy bit," comments John Endacott, an engineer who has invented a new type of oil and water separator for offshore oil fields which has been licensed by two companies. "My advice to anyone coming up with a new invention is: think about it, enjoy thinking about it, and then throw the idea in the bin."

That is where most ideas end up anyway, since the success rate for inventions is tiny. Gazing round his spacious London office, one experienced patent expert says resignedly: "Ninety per cent of the files in this room relate to nonsense - but I don't know which ones they are in advance".

John Fisher, technical director of PA Consulting Group, agrees that invention is the easy part. "But bringing a product to commercial success is extraordinarily hard." This is a problem for big companies as well as individuals and small enterprises. In his view, "the risk associated with innovation is due much more to incorrect market evaluation than technology failure".

Although the words invention and innovation are often used to mean the same thing, there is a dividing line. An invention is an original idea or product which may or may not be developed into something people want to buy. Innovation is described by the Confederation of British Industry as "the successful exploitation of new ideas"; the definition includes not just research and technology, but also management, marketing and training.

'What is not realised by many companies is that if they don't innovate now, they've absolutely had it'

Nor is there a simple link between scientific discovery and economic competitiveness. "We need to recognise that innovation is as much market-led as it is science-driven," asserts Howard Newby, chairman of the Economic and Social Research Council, an independent, government-backed body.

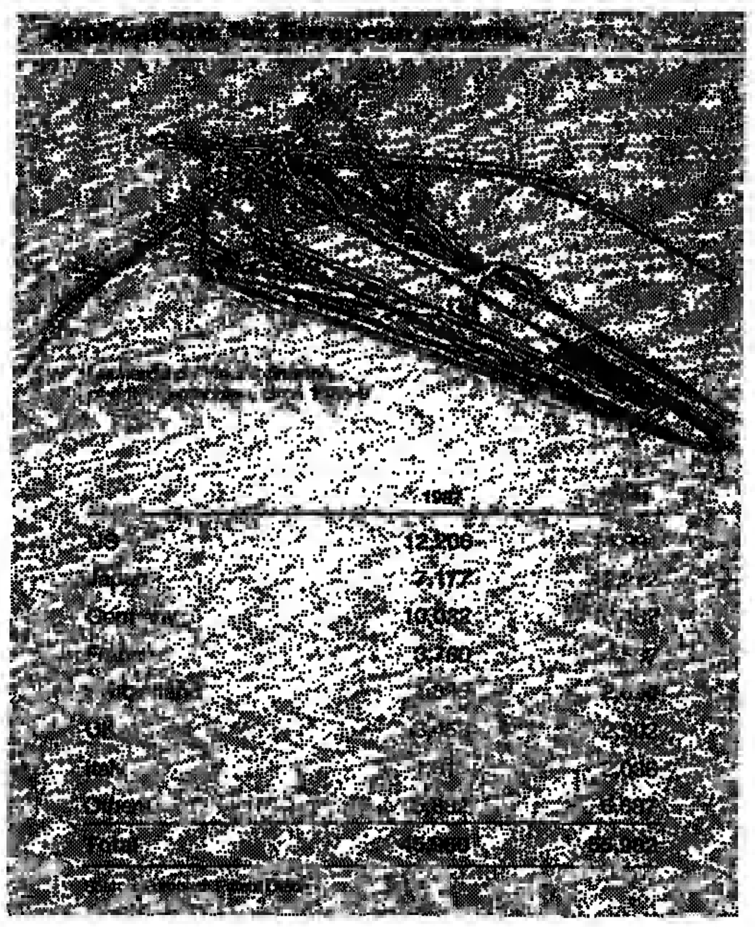
Thus the whole discussion about whether enough good ideas - from whichever end of the industrial scale they stem - reach the commercial stage applies to big as well as to small and embryonic companies. The Department of Trade and Industry and the CBI are keen to help make UK industry more innovative. A joint DTI/CBI study found that only one out of 10 British companies was truly innovative, though three in 10 performed well in many aspects of the innovative process, which it defined very widely.

Since a survey last year by CHI Research for Business Week listed no UK companies in its worldwide ranking of the top 25 by technological strength based on US patenting data - there were 11 each from Japan (including the top four) and the US, two from Germany (Siemens and Hoechst), and Philips from the Netherlands - it is clear that some form of action is required. UK companies also rank well below foreign concerns in their spending on research and development.

Apart from the DTI's intensified efforts to promote innovation, not just in technology, the government also adopted a more pro-manufacturing stance in its latest budget. But many inventors, management experts, and industrialists - whether or not they are sceptical of the government's efforts - believe there is a cultural anti-industrial bias in Britain which tends to inhibit innovation and the adoption of new ideas.

This in turn, allied with the increasing difficulty of obtaining small-scale finance, means that inventors wishing to commercialise their ideas face a minefield of problems. "The NIH (not invented here) syndrome was invented in the UK," says Paul Ambridge, a Design Council official who also chairs the Institute of Patentees and Inventors.

Apart from deciding whether to have prototypes built, take out patents at home and overseas, license their ideas to bigger companies, sell shareholdings to outside investors, or simply give up when the going gets too tough or the money runs out, inventors also have to develop an understanding of the market. Many have no idea where to start and are liable to run up against a wall of indifference when approaching companies.



"The general perception of an individual inventor," says Hilary Trudeau, an innovation consultant, "is of someone with a propeller on their head who spends three hours in your office and comes up with a silly idea. Some are like that." She has set up Support for Innovation, which sets out to screen ideas so that only the best are presented to potential licensors.

This organisation is aimed at people with new technical or business ideas who need to be advised on the problems of running their own business. Licensing is probably the answer for most, she reckons. "Most people with technical skills would be hopeless at running a business."

A possible solution which combines both finance and management is the concept of "business angels" - the commercial equivalent of "theatrical angels" - whereby entrepreneurs put some of their wealth back into industry by helping new and struggling firms. This is well developed in the US, but far less so in Britain.

"This is a vast untapped source," believes Colin Mason, senior lecturer in economic geography at Southampton university, who has studied this type of financing. An additional benefit comes from the availability of management experience as "angels" tend to take a close interest in the operations in which they have invested.

"I'm totally convinced that 'angels' are an idea whose time has come," he adds. "They are virtually the only source of equity finance under £500,000." However, mechanisms for putting potential (or so-called virgin) angels in touch with those needing money are almost non-existent in the UK, although the DTI is funding a two-year pilot scheme to set up business introduction services.

With very little venture capital directed towards thrusting new and risky high-technology ventures in these recessionary days, many inventors have to turn to their high street banks. Despite the wave of recent criticism directed at the UK clearers, however, not all inventors are dismissive of their efforts to help. But only National Westminster has a fully fledged Technology Unit, whose senior manager, Duncan Matthews, admits that "banks are technophobic".

He, too, finds the "business angel" concept an intriguing one and is looking at how Natwest could play a part in helping it develop. His experience with helping to finance technology-based companies has taught him their potential. "This is one area likely to have the most rapid growth."

Sir Clive Sinclair, pioneer of the pocket calculator, the digital watch, and the personal computer, believes the British public is receptive to new ideas, but that finance to implement them is harder to come by than abroad.

"What is not realised by so many companies is that if they don't innovate now, they've absolutely had it," he believes.

His Zike electric bicycle - which looks like being more successful than the earlier C5 electric vehicle, which flopped - is being manufactured by a German-owned company, Tudor Webasto, whose chief executive, Alan Garnett, is seeking new product ideas to supplement its main business of car sunroofs.

Garnett is a firm believer in innovation as a key to economic progress and warns against the tendency to take too short term a view. "We're in danger in this country of getting into an almost survival-type culture where all corporate energy is devoted to satisfying shareholders and end-year balance sheets. We should be looking to the next generation of products."

The series continues next week by offering practical steps for getting ideas to market.

Solar energy is ideal for the remote islands, writes William Keeling

Throwing light on Indonesia

The village of Telaga Said in north Sumatra has progressed little. Last century, elephants were required to transport heavy loads to it. Today, the preferred means is a caterpillar truck.

However, Telaga Said has also been at the forefront of industrial development. In 1895, oil was discovered in the village, giving birth to the Royal Dutch/Shell Group. Three years ago R&S, a Shell affiliate, used the village to market an alternative energy source for rural communities - solar power.

About 55 per cent of Indonesia's 185m people do not have access to electricity. With the population spread over 13,000 islands the problems of supplying electricity to the remote communities are immense. Donor agencies estimate the cost of extending the grid off the main island of Java at up to $3,000 (£2,000) per rural household and say the government's rural electrification programme is responsible for losses made by PLN, the state utility, estimated at $300m a year.

These losses are comparable to those suffered recently by the solar industry which "has focused 95 per cent on technological development and 5 per cent on product development", explains E de Lange, general manager of R&S in Indonesia.

De Lange believes the future lies in supplying single 50-100 watt panels to households. The systems, with proven reliability, can run small appliances such as lights and radios, providing an entrée for the 80 per cent of the world's population which lack access to electricity. "My long-term vision is that all households could use solar energy and the government could concentrate on commercial supply," he says. In the current Indonesian market of about 20,000 panels a year, companies are struggling to break even.

Jonathan Hall, manager of BP Solar in Indonesia, believes the market for solar energy can be divided between "high-volume single-panel systems and high-margin niche applications". He says more sophisticated multi-panel units are efficient for supplying rural hospitals, telecommunication installations and village water systems.

Companies expect both market segments to grow. With a solar home system retailing at about $500, the government and foreign donors are taking an interest.

A $30m World Bank loan to provide 40,000 single-panel home installations may be forthcoming, following the recent completion of an Indonesian government $1.65m pilot scheme which supplied 3,000 homes. An even grander proposal, supported by the research and technology ministry, envisions a $450m project supplying a total of 50MW over six years to 1m households.

But there are significant obstacles to these projects. Once dealer margins are included, the systems are barely affordable. The network of local co-operatives, through which revenue would be collected, is weak and problems of non-payment could arise. The government's project would require greater local content in the systems, which could lead to a loss of quality.

Foreign companies are willing to invest in manufacturing facilities in Indonesia but only with guaranteed advance sales. In the higher-margin bracket, BP Solar's sales include a communication system for Java's railway network. R&S is undertaking a $10m project this year to supply 30-panel systems to a further 270 health centres.

Solar energy's long-term viability, however, cannot depend on a clutch of million-dollar, donor-financed, projects. Hall and de Lange agree more emphasis must be paid on product and market development and less to technological research.

Some officials speculate the industry, in its early days dominated by significant oil conglomerates, might be better served by companies which could use the technology to broaden their market base, such as in the sale of cheap electronic appliances.

However, where such companies have a stake - Philips, the Dutch electronics company, has a holding in R&S and Siemens of Germany has a solar subsidiary - the link between solar power and product development remains weak. The real battle may be to persuade companies that those without electricity represent a market at all.

PEOPLE

Brooks extends her Sotheby's empire

Diana Brooks, president and chief executive of Sotheby's North and South America, has had her empire extended after her region did somewhat better than the rest of the group in difficult conditions last year. She steps up to the specially created position of president and chief executive officer of Sotheby's, in charge of the auction house's business worldwide.

Michael Ainslie, 49, remains president and chief executive of Sotheby's Holdings, the parent company of the auction, finance and real estate operations. He explained that Brooks' promotion would enable him to spend more time with major international clients and on strategic decisions, but one analyst, who commented that the real substance of Ainslie's role remained unclear, surmised that 43-year-old Brooks was now effectively chief executive.

Whereas she used to report to Ainslie alongside Roger Faxon, managing director of Sotheby's Europe, and Julian Thompson, chairman of Sotheby's Asia, Faxon and Thompson now report to her. The other parts of the group have underperformed America, and market share has been lost to Christie's, the traditionally less aggressive rival. In 1992 Sotheby's pretax profits fell from $21.5m to $6.49m.

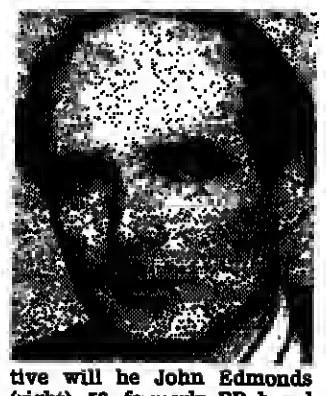
A Yale graduate with a degree in American studies, Brooks joined Sotheby's in 1979. Six years later she was made chief operating officer, before becoming president of North and South America in 1987 and chief executive officer in 1990. She has built herself a formidable reputation on both sides of the Atlantic. "Dede shoots from the hip and doesn't tend to miss," says one observer who has watched her in operation.

British Rail people hog the track

Discouraging news on the rail privatisation front yesterday as former BP boss Robert Horton named the people who will help him run Railtrack, the government-owned company due to take over ownership and control of BR's tracks.

Industry watchers had speculated that one of Horton's first actions as Railtrack's chairman-designate would be to set up a management team interposing fresh talent from the private sector among traditional railway managers. Instead, all but one of the 11 executives named yesterday are ex-BR - and the odd one out comes from the Department of Transport.

Few of the names are particularly well-known outside transport circles. Chief executive will be John Edmonds (right), 56, formerly BR board member responsible for common services such as procurement and research. Director of major projects will be Gil Howarth, 40, who has had some prominence as managing director of Union Railways, the BR subsidiary responsible for the Channel tunnel rail-link project. And the odd one out is commercial director David Moss, 46, a Grade III civil servant (under secretary) who led the British team in the air liberalisation talks with the US.



Railtrack shrugged off criticisms about the lack of private sector input. Several of the people chosen had spent most of their working lives in the private sector before going to BR, it said, and all had been chosen for their records of achievement as managers.

Mysteriously, however, we have still not been told who is to become Railtrack's finance director, so perhaps there is room yet for a private sector contribution.

Sellars seizes his chance

Ian Sellars, who made it as a partner with Europe's largest law firm Clifford Chance six years ago at the age of 32, is quitting to join one of his long-standing clients, Schroder Ventures.

Sellars, who acknowledges the move is highly unusual, says that "being a lawyer can be quite frustrating. You are constantly near the sharp end but a lot of the really important decisions have actually been made by the time you become involved".

He will become the twelfth partner at the venture capital arm of merchant bank Schroders, which specialises in medium-sized to large buy-outs. Managing partner Jon Moulton says that despite the recession, his outfit has seen one of its busiest 12 month periods ever. He said he expected Sellars to become "a general purpose partner - he's not coming here to keep the law library".

One of the few other cases of a law firm losing a partner in a similar move is that of Victor Blank, a partner at Clifford Turner, as it then was, moving to Charterhouse, where he is now chairman.

■ *Linda Collier*, Karen Cook, Lester Gray, John Kinsella, Paul Mullins, Vincent Oratore (joining from Linklaters & Paines), and Elizabeth Warren have been appointed directors of J Henry Schroder Wagg & Co. Gerry Aherne is appointed a director of Schroder Investment Management, and Mark Smith a director of Schroder Capital Management International.

■ Robert Fleming, the UK merchant banking group, has recruited Bill Harrison to fill the new post of chief executive of investment banking.

Harrison is currently vice chairman of Lehman Brothers international, the European arm of the US investment bank owned by American Express.

At Fleming he will be in charge of the corporate finance and capital markets departments, which are responsible for advising companies on mergers and acquisitions and issues of securities. He hopes to expand Flemings' activities in these areas, since they are currently far less significant to the group than its fund management businesses.

Harrison, 44, has previously worked for the merchant bank J Henry Schroder Wagg and for the oil company Tricentrol.

■ Roy Moss, a director of Allied-Lyons since 1986, becomes a vice-chairman of the drinks, food and retailing group, in a further reshaping of the board and senior management structure.

Moss, 63, who takes over responsibility for group training and management development, relinquishes his position as chairman of Allied's retailing sector but remains head of the brewing and wholesaling division, and of the UK regional council.

Tony Hales, 44, group chief executive and chairman of spirits and wine, and food manufacturing sectors, will also head the retailing sector.

Don Marshall, 58, leaves the Allied board following the establishment of the Carlsberg-Tetley brewing joint venture where he is managing director.

Northern Ballet Theatre

Northern Ballet Theatre is in the midst of a regional tour with a triple bill. That in itself is welcome news. For years our ballet companies have had to cajole andiences with full-length offerings, of often dnbious merit but of proven appeal because of their title. The "Give them anything, bnt call it *Swan Lake*" syndrome is, I trust, in decline. Triple bills at Covent Garden have latterly pleyed to excellent houses; this spring, English National Ballet will again tour mixed programmes. Ballet is being ehown as something more than feathers and fairies, with Veronese lovers as the only alternative.

NBT's new programme has its own audience-lure in *A Simple Man*, whicb brought L.S. Lowry to the stage. Two new pieces complete the bill. I am not persnaded that the Theatre Royal, Brighton, is the right place to see dancing: sight lines are odd; the lighting on Tuesday night was cursory; the orchestra is too visible; the stage crampa movement.

Both novelties are concerned with plotless dance; neither conveyed much sense of formal design to sustain incident. Graham Lustig's *D'Ensemble* demands far more space than Brighton could offer. Set to Dvorak's wind serenads, it shows five couples being radiant or dewy-eyed or boisterous, and, in these surroundings, too close to each other for comfort. It is taxing for the men, somewhat predictable for the women, and it merits a larger stage for its dances to be appreciated. Decoration is by Kaffe Fassett – known for his knitting designs – and proposes bright costume colours (whicb do not make the women'a frocks any less dowdy) and a backdrop that looks lika a flowery and up-market subject for a jigsaw.

Extenzion is choreographed by Derek Williams, mnch admired as a dancer with the Harlem Dance Theatre. It is said to be a "jazz ballet", a genre more notable than most for its clfcbés. The men in such exercises strut, throw off multiple technical feats with energy if not finesse, and generally indicate that St. Vitus is their patron saint. The women are called upon to behave as if on day-release from the Reeperbahn. And so it proves in this exhausting and foolish item. The chaps run and spin; the women flaunt it. The stage is bathed in red light for part of the time. There is a score by Philip Feeney that contains fsscinating sonorities but must clatter in the dance'a galvanic foot-steps. At the back of the stage is a drop showing a version of Craigia Aitchison's *Pink Vase, Still Life*, which has nothing to do with anything else that is happening, and to which I would not like to give house-room. It is all hngger-mugger, and during *Extenzion's* too generous span I thought enviously of Simeon Stylites.

NBT's casts were devoted over and above the call of dnty to their tasks. They plainly believe in what they are doing; I admire them and wish I could share their convictions.

Clement Crisp

NBT's tour is sponsored by BT, which also supports the company's touring Education Programme

Cinema/Nigel Andrews

Feelgood metaphysics

In this week'a nawest Hollywood blockbuster, ths young philosopher Ludwig Wittgenstein (Mel Gibson) is deep-frozen by Cambridge scientists for 50 years and wakes up on the morning of the 1989 Americas Cnp final in Newport, Rhode Island. Reunited with his Indochiness girlfriend Catherine Deneuve, he sets out to win the famous cup, but is sidetracked by an ambition to become America's first independent black Congressman...

"Wake up, sir. You are having a nightmare!" It is my butler, holding the morning cup of tea. It was all a dream; but for film critics these dreams are becoming ever more indistinguishable from waking. Just how much damage do regular doses of twice-daily filmgoing do to the brain and imagination?

First: I greatly enjoyed every film this week. Second: that is exactly the problem. The pleasure derived from Derek Jarman'a *Wittgenstein* seems to me indistinguishable from that derived from Mel Gibson busking for tears and laughter in the cryogenics epic *Forever Young*; and the week'e other films we will implicate in due course.

Feelgood movies are feelgood movies wherever they come from. And feelgood metaphysics likewise; whether signed by a Viennese-Cambridge philosopher and enacted with bargain-basement props against a black wall (Jarman) or blown up to umpteen-millimetre while every violinist in Hollywood underscores the magical, time-slicing plot that kicks off in 1939. Girl meets boy, girl has coma, boy gets frozen, hello 1989, out with the handkerchiefs.

With art cinema on the retreat, and Western culture's populist current pulling even higher criticism with it, no one today wants to work hard in front of a movie screen. "Serious" cinema, from today's *Wittgenstein* to last week'a *Orlando*, has become as all-singing, all-dancing as popular cinema. If Bergman or Godard were beginning their careers in the 1990s rather than the 1950s, they would be making films liks *Swedish Angst Is Fun* and *Two Or Three Things I Know About Macaulay Culkin*.

Wittgenstein is, make no mistake, *enormous* fun. Co-scripted by Jarman with Professor Terry Eagleton, the movie turns the life of the Austrian-born, Cambridge-nsturalised philosopher into s lantern slide lecture with intervals for wacky comedy. Around Karl Johnson's sweetly stammering hero assemble, *inter alia*, Michael Gough as Bertrand Russell, Tilda Swinton whooping it up in silks and feathers as Lady Ottoline Morrell and John Quentin snapping out the Bloomsbury one-liners as J. Maynard Keynes.

Have we omitted the green Martian who challenges Wittgenstein'a theories in conversation? Or the rhinoceros under Bertrand Russell'e table? Or tha neo-classical garb sported by Ludwig's upper-Viennese family, whom Jarman envisions as poised forever on the starting blocks of some cosmic *opera seria*.

"Class" is a major theme, as it would be in any Eagleton script. Ws scream inwardly at some of the radical-propagandist hyperbolss. Because Ottoline was a Lady, need she be stricken with quite such an impenetrable drawl or air of Marie Antoinettish disdain? "I must send him some cocoa tablets, he sounds rather depressed" she flutes of Wittgenstein, now stuck in an Italian P-o-W camp writing his Tractatus.

But later, when our hero dons a boiler suit and departs for volunteer manual labour in Russia, Jarman and Eagleton have the decency to chuckle at that too. Then Ludwig comes back in time for a bit of love (gay) and a bit of dying while history draws the curtain on a noble eoul and his contribution to philosophy.

Oh! his philosophy – we almost forgot that. I understand from the film that it was something about the limits of language being the limits of one's world. But I had to go to my bookshelves to mug it up again properly. *Wittgenstein* is too busy being gay, skittish, highly coloured, dreadfully enjoyable and even (Oh Hollywood on the Cam!) shamelessly tear-jerking at the close to worry too much about thoughts and ideas.

Forever Young, directed by Steve Miner from s Kleensx-intensiva script by Jeffrey Abrams, carries on where Jarman's film leaves off. 1939 test pilot Msl Gibson, realising like Wittgenstein the limits of language

WITTGENSTEIN **Derek Jarman**
FOREVER YOUNG (PG) **Steve Miner**
THE DISTINGUISHED GENTLEMAN (15) **Jonathan Lynn**
WIND (PG) **Carroll Ballard**
INDOCHINE (12) **Regis Wargnier**

or philosophy in the face of the unassimilable (his girlfriend'e coma after a etreet accident), has himself frozen. Cryogenics boffin George Wendt sticks him in the ice tray; then he wakes in 1989 to find the US military on his tail, housewifa Jamie Lee Curtis offering suburban haven and Curtis's young son Elijah Wood, who accidentally defrosted him after etumbling into a military warehouas, following terror with hero-worship.

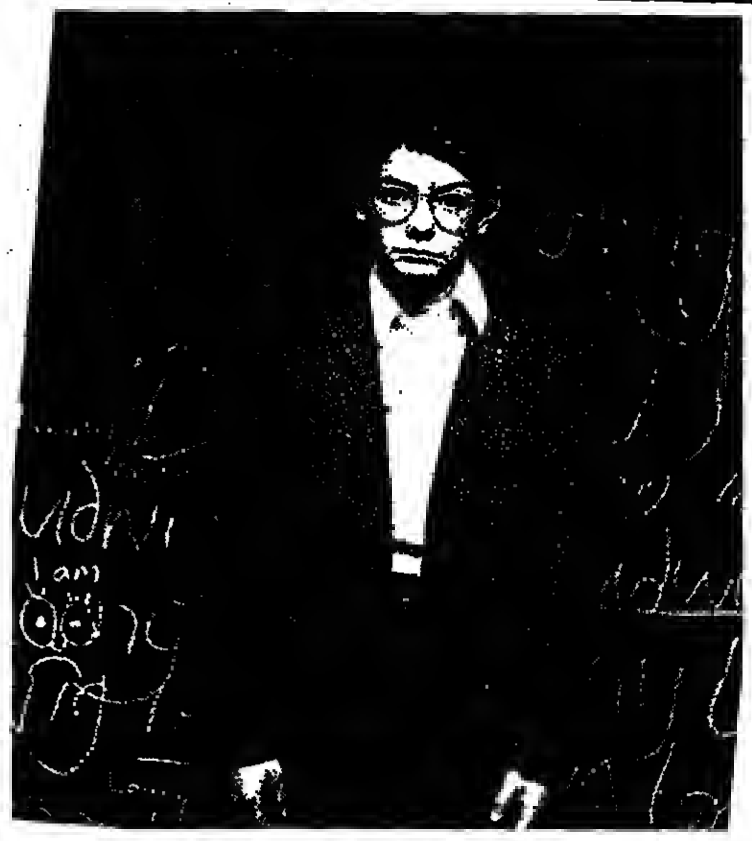
Like *Wittgenstein* – indeed like all today's pleasure principle cinema – *Forever Young* bas an impatience with time and a houey-bee approacb to mood. It moves about the decades, buzzing from comedy to pathos to thrills to tears. Finally it goes out in a blaze of manufactured pathos as love conquers all on a Pacific promontory. (Surely it is the same promontory where Julia Roberts loved and lost in the interchangeably-titled-and-plotted *Dying Young*?)

Is *Forever Young* enjoyable? Yes, dreadfully. But in today's hedonistic cinema, what movie is not? Even the flops seem so anxious for your appreciation that you place a sparkle in your eyes in reel one and find it still there at the end.

In *The Distinguished Gentleman* Eddie Murphy, Hollywood's grin on a stick, moves through Washington DC holding aloft his brand of popsicle populism. Murphy is a Florida con man who cons his way into Congress. He is soon founding bogus foundations and panhandling for honorariums. But then a little boy with cancer – yes! – wreaks a Capra-esque miracle and turns the scam artist into a people's hero.

The script by former Walter Mondale speechwriter Marty Kaplan is knee-deep in Washington lore but only ankle-deep in wit. And Britain's Jonathan Lynn (*Nuns On The Run*) directs as if down on all fours trying to mop up every drop. The villains are somewhat dull – Capra would have given us silken Claude Rains and/or satanic Edward Arnold – and the maudlin subplot is an embarrassment. But let us not over-carp. Murphy is there to unzip his smile and flash his genius for mimicry, and I was still watching without consulting my watch as the end credits rolled.

Wind is two hours of blithe drivel about championship yachting. It should carry an environment-friendly notice: "Beautiful scenery. Please do not deposit movie dialogue." The script by Mac Gudgeon and Rudy Wurlitzer (vacationing from the talent that gave us *Pat Garrett And Billy The Kid*) provoked unseemly giggles at the Press show. Americas Cup contender Matthew Modine spends half the film tacking to avoid lines like "Sometimes we pay too high a price for our dreams" (yacht tycoon Cliff Robertson) or "The most important thing is finding your own wind" (himself), the other half trying to make clear runs for the action channel.



Clancy Chassay as the young Ludwig Wittgenstein

The yachting scenes are well shot by director Carroll Ballard and brilliantly "sound-designed" by Alan Splet, with booms and crunches and wind-howlings that shiver your timbers. But what price such panache on the ocean when back on shore life consists of waterlogged love plots (Jennifer Grey) and dialogue written on the back of a binnacle.

But as Wittgenstein once said, in one of his early untranslated works, even bad art has its serenity. Regis Wargnier's much-hyped *Indochine*, representing France at next week's Foreign Film Oscars, is the very incarnation of the age of Brainless Hedonism. Time was when we looked to the French for a cinema that was impudent (Godard), anarchic (Chabrol), mercurial (Truffaut) or experimental (Resnais, Rivette); in a word, challenging.

Today we get a 2½-hour slab of steamed-up melodrama with Catherine Deneuve doing a Bette Davis in the tropics. Empires fall; lovers betray; adopted daughters get pregnant; and when all else fails there is a battle scene or some ooh-aah borror in an opium den. If only life were as daft and colourful as the movies. But if only the movies were less daft and colourful – sometimes – and more intelligently related to real life.

Theatre

Letters Home

Sylvia Plath killed herself 30 years ago in London. She put the children to bed, blocked heraelf in the kitchen, and turned on the gas. She was 30. She had warned: "Never commit suicide, because something unexpected always happens." Her reputation flourished posthumously with *Ariel* (1965) and the Pulitzer prizewinning *Collected Poems* (1981).

After leaving her middle class Boston home for a scholarship at Smith in 1950, Plath wrote 700 family letters – most to her mother, Aurelia – which were gathered and published in 1975. They form a quasi-public diary, the basis for Rose Leiman Goldemberg'a dramatisation, *Letters Home*. It makes fine reading, potentially wonderful radio, but poor theatre.

First, *Letters Home* lacks the poetry that redeemed Plath and which excused the indulgent misery. Second, the play fails to admit that other people'e depressions are not intrinsically dramatic; and third, it fails to make written letters live as voices and interactions between two people on stage. The acting is intimate and sharp, with fast cutting between Hildegard Nsil as Aurelia and Daryl Back as Sylvia. Sometimes the lock-jawed accent of north-east America evades them, but they conjure a community and history out of the material, moved along by Ian Rimington's swift direction.

Alastair Muir

Hildegard Neil and Daryl Black

However, much can be learned of Plath, the poet who kept bees. Her depression prompted her to write home frequently: of a missed date or a fall science course at Smith; of the heady meeting and marriage to Ted Hughes in Cambridge, of babies and of the looming divorce. All facets of Plath's relations were underpinned by a desire for oblivion. She had attempted suicide in 1953, and she spent the summer in therapy and undergoing electro-convulsive treatment. She returned to college to write about Fyodor Dostoyevsky. During a period of depression in the winter of 1962-63, Sylvia Plath produced what many consider to be her best work, putting her alongside the other great modern American writers who also suffered from depression: Robert Lowell, Anne Sexton and John Berryman. On the one hand, *Letters Home* offers nothing consolatory, and on the other, nothing to show that in Plath's case, reformation was necessary and despair criminal.

Andrew St George

Lyric Studio, Hammersmith until April 18

Concert/David Murray

Handel's Messiah

Exactly 250 years ago last Tuesday – March 23, 1743 – Handel's *Messiah* had its British premiere, in the first Theatre Royal on the Covent Garden site. Naturally enough, the Royal Opera laid on a commemorative performance. Enterprisingly, it managed to be backward- and forward-looking at once, for the chosen conductor was John Eliot Gardiner, with his Monteverdi Choir and the English Baroque Soloists: a guarantee that this *Messiah* would represent the most up-to-date findings from the back-to-the-1700s persuasion.

For most of Part 1, the Gardiner ensemble sounded alert, precise, speedy – and lightweight, to ears attuned to overweening Victorian forces. The choruses "And He shall purify" and "For unto us a Child is born", unaccustomedly fleet, added no ballast to the larger drama. As expected, the dry Royal Opera acoustic flattered nobody: neither John Aler's stylish, nor the flexible high bass of Rodney Gilfry (though the counter-tenor James Bowman made his brief mark, and after an appealingly rustic "Pastoral Symphony" the boy-soprano Sam Pay too – true, plain and "natural", *i.e.* blessedly innocent of King's College manners).

With Part II, however, the lithe strengths of Gardiner's style began to make themselves felt. By then we had adjusted to the slimmed-down scale, and could appreciate the lucid diction it permitted. Without any dense, mournful instrumental cushion, the mezzo Catherine Robbin shaped a penetrating "He was despised and rejected"; Aler found a note of vehement regret in both of his arias, and Gilfry spelled out "Why do the nations so furiously rage together?" as a lofty moral rebuke. The Hallelujah Chorus began trippingly, with none of its "traditional" heavy-duty thrust, but rose to a brighter, sharper kind of climax.

Part III began with the soprano Sylvia McNair at her melting best in "I know that my Redeemer liveth". (But decidedly sexy, too, in the candid modern manner; could that possibly be right?) With a fine period-trumpet, Gilfry swung robustly through "The trumpet shall sound". On Gardiner's reading, the orthodox piety of the closing chorus was at once tender and provisional – no Victorian, muscular-Christian dragooning there, only a hopeful uplift. The whole performance was of a piece with that, humane and satisfying in its particular low-calorie way.

Sponsored by the *Observer*, in support of the Thomas Coram Foundation

Jazz/Garry Booth

Doing the right thing

The young trumpet player Terence Blanchard is the burnished sound behind most of Spike Lee's celluloid. After serving with that finest of finishing schools, Art Blakey's Jazz Messengers, Blanchard plunged into composing with scores for *School Daze* (1988), *Do The Right Thing* (1989) and most recently *Malcom X*. During this period of concentrated writing activity, Blanchard, who is just 31, began to have problems with his own playing and for a while it looked as though he might spend the rest of his career with only his charts for company.

On the evidence of his quintet's appearance at Ronnie's this week, however, reports of his demise are greatly exaggerated. In a sombre but sometimes startling collection of seamlessly segued movements called *The Malcom X Jazz Suite*, Blanchard led his young quintet heroically.

The original film score was written for 40 pieces but this adapted and improvised on version for quintet has a grainy texture onto which Blanchard sears his notes to dramatic effect. The air of foreboding created by the opening bass lines was transformed into an achingly cool and urban setting. The addition of Troy Davis's simmering cymbals and Bruce Barth's plaintive chords completing the setting for tight trumpet and tenor harmonies from Blanchard and Sam Newsome. The pair have an impressive sound between them: the sturdy tenor providing woody contrast to Blanchard's lustrous tone, both able to produce feisty and elastic solos. A suite with such serious intent as this might seem inappropriate for a club setting but the movements follow conventional mores, and bead arrangements with obligatory bludgeoning drum parts separate the movements sufficiently well.

In contrast to the monochrome grandeur of *Malcom X*, the lush and complex guitar work of Martin Taylor was a luxurious bonus. The 37 year old English concert guitarist is most often heard in the company of Stephane Grappelli, or in a classical setting, but sounds equally comfortable spinning standards from the stage of a smoky club. Indeed so relaxed and convincing is Taylor's command of simultaneous rhythm, melody and bass that he could easily pass for a trio. Chopping or sustaining, the vocalised tone and timing is a joyous thing and his fitting in the spaces between two sets of *Malcom X* make a beautifully balanced evening's entertainment.

At Ronnie Scott's until March 27

INTERNATIONAL ARTS GUIDE

■ **ATHENS**

Concert Hall Tonight and Sat: concert performance of Rigoletto. Mon: Samuel Ramey song recital. Tues: Alkis Baltas conducts New Greek Radio Orchestra in accompaniment to Eisenstein's 1927 film October. Next Wed: Callas commemorative concert with Athens State Orchestra and vocal soloists (722 5511).

■ **BARCELONA**

OPERA

Gran Teatre del Liceu Sat, Sun, next Wed: Uwe Mund conducts Nuria Espert's production of Carmen, with alternating casts including Kathleen Kuhlmann and Neil Shicoff. Tomorrow: Christa Ludwig sings Mahler's Rückert-Lieder. Mon: Anna Tomowa-Sintow song recital (412 3532)

CONCERTS

Palau de la Musica Tomorrow, Sat, Sun morning: Jiri Belohlavek conducts Barcelona City Orchestra in works by Mozart, Rakhmaninov and Martinu, with piano soloist Daniel Hoexter (268 1000)

● Information and booking for cultural events available through Caixa Catalunya from 08.00 to 14.00 (310 1212)

■ **BOLOGNA**

Teatro Communale Tomorrow, Sun afternoon, next Wed: Roberto Abbado conducts Lamberto Puggelli's Milan production of Adriana Lecouvreur, with Mirella Freni and Peter Dvorsky. Mon: London Brass (529999)

■ **FLORENCE**

Teatro Communale Tonight, Sat, Sun afternoon: Bruno Campanella conducts final performances of the Ponnelle/Milan production of La Cenerentola, with alternating casts including Raul Gimenez, Claudio Desderi, Gino Quilico and Jennifer Larmore. Next Wed: first of five MaggioDanza performances of Swan Lake choreographed by Evgeny Polyakov (277 9236)

■ **LONDON**

THEATRE

● Macbeth: Alan Howard tackles one of the pinnacles of Shakespearean tragedy, with Anastasia Hill as Lady Macbeth. Richard Eyre directs. Previews from tomorrow, opens next Thurs (National Olivier 071-928 2252)

● City of Angels: Larry Gelbart's musical, fresh from an award-winning run on Broadway, is set in the shady world of private detectives and mysterious women in 1940s Los Angeles. In previews, opens on Tues (Prince of Wales 071-839 5972)

● The Gifts of the Gorgon: Peter Shaffer's new play, starring Judi Dench, transfers to the West End after its opening sell-out run at the Barbican (Wyndham's 071-867 1116)

● Fires in the Mirror: Anna Deavere Smith performs her own acclaimed one-woman show about the violent clash between African Americans and Hasidic Jews in Brooklyn 1991. Till April 3 (Royal Court 071-730 1745)

OPERA/DANCE

Covent Garden Tonight: Colin Davis conducts final performance of Harry Kupfer's production of La Damnation de Faust, with Olga Borodina, Jerry Hadley and Samuel Ramey. Tomorrow, next Mon and Wed: Claudio Abbado conducts Antoine Vitez's new production of Pelléas et Mélisande, with Frederica von Stade, François Le Roux and Victor Braun. Sat: Sleeping Beauty with Sylvie Guillem. Tues: Jeffrey Tate conducts new Fidelio staging produced by Patrick Young in designs by Margit Bardy, with Josephine Barstow and Willard White, in repertory till April 15 (071-240 1066)

Coliseum ENO repertory consists of Don Pasquale (tonight and next Thurs), The Mikado (Sat and next Wed) and a new Monteverdi/Bartok double bill (tomorrow, in repertory till April 7), staged by David Alden, with a cast including Patrizia Rosario, Gwynne Howell and Sally Burgess. April 3: revival of Pountney production of Queen of Spades (071-836 3161)

Sadler's Wells Rudra Béjart Lausanne opens a 10-day season tonight with a programme of Béjart ballets dedicated to some of the celebrated names of cinema (071-278 8916)

CONCERTS

South Bank Centre Tonight: Michael Schoenwandt conducts Philharmonia Orchestra in works by Birtwistle, Schumann and Sibelius, with piano soloist Alfred Brendel. Tomorrow: Takuo Yuasa conducts LPO in works by Bach, Ravel and Berlioz. Sat: Simon Rattle conducts CBSO and Chorus in works by Schoenberg, Stravinsky and Janacek. Sun: Claudio Abbado and Mark Wigglesworth conduct ECYO in works by Beethoven and Shostakovich, with pianist Evgeny Kissin. Tues: Franz Welser-Möst conducts LPO, with soprano Hildegard Behrens. Next Wed: John Eliot Gardiner conducts Philharmonia in Beethoven and Elgar, with piano soloist Maria Joao Pires (071-928 8800)

Barbican Tonight and Sun: Valery Gergiev conducts LSO, with Yuri Bashmet soloist in Bartok's Viola Concerto (tonight) and Walton's Viola Concerto (Sun). Bashmet also gives a recital next Thurs. Tomorrow: Paul Daniel conducts RPO in Mozart and Mahler, with soprano Joan Rodgers. Sat: ECO Mozart programme. Next Tues and Fri: Paavo Berglund conducts RPO in works by Franck, Grieg and Haydn (071-638 8891)

■ **MADRID**

Teatro Lirico La Zarzuela Tonight: Theo Alcantara conducts first night of Luis Pasqual's production of Puccini's Trittico, with a cast including Raina Kabaivanska, Alberto Rinaldi and Luis Lima. Repeated on Sat, next Mon, Wed and Fri (429 8225)

Auditorio Nacional de Musica Tonight: Trio Vandehr de Michigan plays chamber music by Mozart, Brahms, Beethoven, Peter Sculthorpe and Menotti. Tomorrow, Sat, Sun: Aldo Ceccato conducts Spanish National Orchestra and Chorus in works by Turina, Schoenberg and Beethoven. Tues: Madrid Classical Orchestra plays works by Mozart and Schubert. April 1,2,3: Kurt Masur conducts New York Philharmonic Orchestra (337 0100)

■ **MILAN**

Teatro alla Scala Mon: Wolfgang Sawallisch conducts Orchestra of La Scala. April 1: Riccardo Muti conducts first night of Franco Zeffirelli's new production of Pagliacci (with Pavarotti and Hvorostovsky), paired with Balanchine production of The Fairy's Kiss (7200 3744)

■ **PRAGUE**

● Pavel Eret gives a recital of Czech violin sonatas on Sat afternoon at **Lobkovicky Palace**. Sun in **Smetana Hall**: Martin Turnovsky, Petr Altrichter and Prague Symphony Orchestra take part in an evening of popular music. Next Wed: Altrichter conducts Berlioz's Roméo et Juliette (232 2501)

● **Estates Theatre** has performances of Don Giovanni tomorrow, Mon and next Wed (228658). **National Theatre** has La forza del destino next Tues (205364)

● **Prague State Opera** has La traviata tonight, Il trovatore tomorrow and Tues, Cosi fan tutte on Sat and Un ballo in maschera on Sun and next Wed (265353)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ **ROME**

Teatro Olimpico Tonight: Fone and Di Fiesole Quartets play works by Mozart, Tchaikovsky and Mendelssohn. Next Thurs: John Poole conducts Groupe Vocal de France (323 4890)

Teatro dell'Opera Tonight, tomorrow, Sat, Sun: Ballet of the Teatro dell'Opera in Roland Petit's Proust. Mon: Montserrat Caballé song recital. The programme is subject to cancellation or change at short notice (481 7003)

■ **TURIN**

Teatro Regio Tomorrow, Sun afternoon, next Tues, Thurs, Fri and Sun: Alfred Eschwé conducts Jerome Savary's Geneva production of Die Fledermaus, with alternating casts including Patrick Raftery, Sona Ghazarian and Trudeliese Schmidt (8815 214)

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Arts Guide

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandinavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

Dark descent to a political minefield

As the UK government finalises its plan for coal, Michael Cassell examines the explosive events of the past six months

John Major must have been grateful for the brief respite offered by the journey home from Birmingham to Great Stukeley. Behind him was a difficult, one-day European summit and the toughest week of his premiership; worse was to come.

Four days after last October's EC gathering, called in the wake of Britain's forced exit from the European exchange rate mechanism, British Coal had sent shock waves through the coalfields. Thirty-one out of 50 pits had to be shut, some in days and all in six months. More than 30,000 miners faced compulsory redundancy; another 120,000 jobs in supplier industries could go.

Neil Clarke, recruited as chairman of British Coal to mastermind the "ultimate privatisation", expressed regret. Michael Heseltine, the trade and industry secretary, tried to soothe the pain with a £1bn aid package extracted from the an unwilling Treasury. Major was sorry for the miner's "anguish", but the commercial argument was compelling and irrevocable.

Within 48 hours, ministers would be facing defeat at the hands of their backbenchers. Two years earlier, the government's privatisation of an electricity supply industry, which takes 80 per cent of British Coal's output, had sown the seeds of the dilemma. Subsidised coal markets and the demise of a rigged market were supposed to end in March 1993 when the generators, PowerGen and National Power, would be free to buy where they wished and to strike new British Coal contracts.

Last autumn, complex legislation to privatise British Coal was already being prepared, with a sale due this summer. It was widely accepted that the 65m tonnes of coal bought by the generators in the year ending next week would fall to about 40m tonnes in 1994, and later to 30m. Prices and contract periods, however, remained unresolved. A jobs shake-out was inevitable.

Heseltine wanted to lock all the parties in a room and "bang heads" until agreement was reached. But in the words of one DTI minister: "We couldn't do an old-style, ministerial fix. We explored all the avenues. But it was like going down a one-way street and continually turning off into blind alleyways."

As contract negotiations stretched into late summer, the DTI and Treasury stepped up equally slow-moving talks with British Coal aimed at replacing miners' redundancy terms. The company convinced Heseltine a fair package would limit the damage. It told ministers: "If you sugar the pill, we will deliver the goods." But the pill remained unpalatable. In mid-September, Mr Arthur Scargill, president of the National Union of Mineworkers, leaked a ministerial letter listing 30 doomed pits. Heseltine admitted further closures were coming but battled for pay-offs matching the old terms.

A Coal Board insider recalls: "The Treasury was utterly predictable. It was reluctant to match the old redundancy terms. We became embroiled in an intellectual argument over why miners should get preferential redundancy terms to any private-sector employees."

A colleague of Heseltine adds: "If the Treasury had not been so bloody-minded, we could have bitten the bullet earlier and 10 pits could have gone in the summer."

The prime minister intervened. Heseltine got an average £28,000 a man, less than British Coal wanted. On October 2, he and Tim Eggar, his energy minister, reported to a prime minister preoccupied with preparations for the following week's party conference. A closure announcement had to go ahead. "A" day, as it was entered in the diaries of British Coal executives, was Tuesday October 13. Until the day before, the company would not tell Heseltine which pits were to close.

"We refused to tell him. We knew from bitter experience that the government machine leaked like a sieve and we did not want to pile on the agony at the collieries," a British Coal manager recalls.

On October 12, Heseltine and Clarke met to make final preparations for the announcement. The next day, Clarke called in the press while Heseltine made his own announcement: "It was a stupid mistake," says a close friend.

"It took the heat off Clarke and left Michael looking like the bad guy, instead of the white knight riding to the rescue with £1bn. But he wanted to face it head on."

The details provoked an immediate storm. According to a British Coal executive: "People in the industry were prepared for the worst. It was the wider backlash which caught everyone out."

Backbench Tory MPs were as angry as the general public at the scale and immediacy of the plan. MPs were hit by an avalanche of protest letters. "They were proper letters, type-written, correctly spelt and predominantly from natural Tories," says one MP.

For a day or two, ministers thought they could ride it out. At a party in 12 Downing Street to celebrate the 40th birthday of Gus O'Donnell, the prime minister's press secretary, one minister said the storm would quickly abate. A minister involved in seeking a solution to British Coal's dilemma recalls: "We were already in a sea of troubles and failed to foresee the chemical reaction which the closures would set off."

Any hope the row would be short-lived was quickly dispelled by Sir Marcus Fox, chairman of the influential 1922 backbench committee of Tory MPs. Sir Marcus pronounced the terms "unacceptable" and his colleagues "incensed". Scargill suddenly found Mr Winston Churchill, the Tory MP for Davyhulme and Sir Winston's grandson, among his champions.

Downing Street was forced repeatedly to amend its version of events. Gillian Shephard, the employment secretary, though informed of the plans, was not told about the Heseltine press conference. She was furious. An employment department insider reflects: "There was little love lost between them before. There is even less now."

On October 18, the eve of parliament's return, the nation turned off 2m lightbulbs in protest and men from Frickley colliery dumped coal outside Heseltine's Oxfordshire home.

After a weekend ring-round of Tory MPs by the party whips, Richard Ryder, chief whip, warned that the government faced defeat at the hands of its own party. Major summoned six ministers to his temporary offices at Admiralty House. Heseltine spelled out the "unanswerable case" for closures.

Two and a half hours later, he had reluctantly accepted the need for a change in tactics. The blow had to be softened. He went straight into session with officials. Callers were told he was "locked away".

The next morning, Monday October 19, Downing Street admitted ministers had been "so close to the detail" of the closure decision they had failed to assess its impact. Major summoned an emergency cabinet meeting to hint at a change in tactics. A cabinet colleague remarked: "We had all taken our eye off the ball. It was a cock-up."

Afterwards, at a Carlton Club lunch with the executive of the 1922 committee, the prime minister indicated that although 10 pits would have to go, the remaining 21 would be looked at again. The peace offering was not sufficient. One committee member said afterwards: "I am still loyal to John Major, I hope he survives, but he won't if he continues in this way."

An hour later in the Commons, Heseltine said there would be a temporary reprieve for some pits but no further, detailed review. Any changes would be "at the margin".

Next morning, he faced his own, angry backbenchers in committee room 14 of the Commons. A show of hands went against him, forcing from him assurances that he would take a broader look at the fuel market for generating electricity. An MP present reflected: "We put him through the mangle."

Hours later, Lord Wakeham, former energy secretary and chairman of the ad hoc cabinet committee on coal, told the Lords there would be a wide-ranging review to ensure the coal market had been correctly assessed. Major confirmed the new approach in the Commons and welcomed a trade and industry committee decision to hold its own inquiry into energy strategy.

On October 21, Trafalgar Day, as 40,000 miners marched through London, Heseltine paced the Commons, homing in on waverers who could help defeat the government in that day's Labour-organised debate. Nobody was spared. One sceptic remarked: "What can you say when you have a shopping list of 12 items and you're offered 14?"

A bravura Commons performance from Heseltine won the day and a majority of 15. A few days later, he announced there would be a white paper on UK energy policy, a tactic which provided a vital breathing space. But as advice and opinions poured in, another blow landed.

Four days before Christmas, Lord Justice Glidewell declared the closure decision unlawful and demanding a review procedure involving an element of independent scrutiny. A humiliated Heseltine admitted the government had "got it wrong".

By January 19, he was running into fierce, internal opposition to his compromise proposals, entailing a subsidy of about £10 a tonne, clearly identified to consumers as the cost to be paid for public concern. A supporter summed up the plan: "It was about paying for your conscience."

At a cabinet committee meeting, Heseltine found himself confronting an alliance of ministers – including Michael Howard, the environment secretary, Kenneth Clarke, the home secretary, Norman Lamont, the chancellor, and Gillian Shephard – threatening to block the plan unless subsidies were short-term and rapidly reduced.

Howard, with the support of Clarke, had tabled an alternative strategy. He argued that, if some pits were to be kept open, the decision should be openly based on social, rather than economic, reasons. The government would tell the Commons that, on social grounds, it would pay time-limited subsidies to individual pits.

But the idea soon hit trouble, with ministers unable to devise criteria under which individual collieries could be kept open. The plan was rejected. Friends of Shephard and Howard continued to brief the press against Heseltine for his handling of the affair. As the prime minister left for India on a trade mission, irritated Downing Street sources complained: "It doesn't do anyone any good to brief against their colleagues."

By the end of January, Heseltine won further support in reports from independent consultants which backed the government's grim prognosis for coal. Wakeham's cabinet committee was by now concluding that additional coal purchases by the generators would have to be subsidised.

The Commons trade and industry select committee, however, contrived a classic political compromise, suggesting more than half the threatened pits could be saved if the market for coal was increased over five years at a cost of about £500m.

Its report left Heseltine and his colleagues to calculate how far they had to go to stave off the threat of defeat. One minister claims: "Sensible analysis immediately became a pathetic, political numbers game."

As Heseltine struggled to find a formula, he became embroiled in a row over the generators over how much coal they would take. John Baker, National Power chief executive, told him they were being invited to "dig our own grave... to solve your coal problem".

Some ministers revelled in the discomfort of a man toppled from his party pedestal: "Junior Thatcherite ministers think it has all been wonderful," says a Heseltine ally. Stories suggesting he is fed up, disenchanted and even seriously ill have flowered in Westminster.

"All rubbish," says a friend. "Michael admits the coal business has been the most frustrating and intractable problem he has ever faced. He is frustrated that the affair has swallowed so much of his time. But that is it."

With his "final offer" now about to be disclosed, Heseltine may look back for a moment or two on the affair. He does not seek to lay most of the blame on British Coal and Neil Clarke, though he is not overly impressed with the company's behaviour. In any case, the fate of the industry and those who serve it should soon be a matter for new owners. He may be forgiven for praying "not a moment too soon".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Competitive pricing

From Mr P S Leigh.

Sir, In your story, "OFT life insurance proposals," (March 19) it is stated that the Office of Fair Trading said life companies should be obliged to allow low-cost sales outlets, such as building societies, to price their products more cheaply than other higher cost agents.

Perhaps the OFT should have looked at what has happened to house and contents insurance, which is nearly always far more expensive if taken out through building societies than if arranged through a local insurance broker. Presumably the OFT considers the latter to be a higher cost agent.

P S Leigh,
BALPA Financial Services,
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Senior loans

From Mr John Renaudon.

Sir, So Barclays has now instituted a new procedure for approving big corporate loans ("Barclays' new loan procedures" March 22). Under this new procedure there will always be one senior executive who takes personal responsibility for the loan. For the benefit of those who, perhaps, like myself are not too sure about the way the old procedure worked, how many executives used to be responsible for such loans; none or more than one?

John Renaudon,
The Firs,
Madeley Heath,
Crewe, Cheshire CW3 9LQ

Japan cautious about economic logic of G7 aid for Russia

From Mr Masaki Omura.

Sir, I think the recent criticism of the Japanese government's inaction regarding the G7 assistance for Russia is misguided. Contrary to these critical assertions, neither the principle of the northern territorial issue nor a lack of understanding of the impact of a Russian collapse constitute the main reason for Japan's careful attitude. The key issue is the workability and desirability of a hasty reaction by the G7.

In the past there has been a common understanding among the G7 countries that western financial assistance will only work with the appropriate domestic economic policy and the development of the institutions necessary for a market economy. Only a small portion of the $24bn committed by the G7 has been used, mainly because these preconditions have not emerged in Russia. I do not see any reason why financial assistance should suddenly begin to work now without these preconditions.

It may be argued that an urgent decision is necessitated by the political considerations. However, it would be quite naive to expect a politically motivated action without an economic result to be of substantial help to President Yeltsin in the current crisis. Given that the battle between the president and the parliament is purely a power struggle, a G7 commitment will not weaken the attack by the parliament. Nor will it strengthen public support for the president until it leads to an improvement in the economic situation.

It will certainly be necessary to re-examine the economic reform strategy in Russia. In fact, from the beginning Japan has been the least enthusiastic country in advocating that market forces alone, without due consideration of the social reality, can achieve a successful transformation. However, a rethinking of this issue should focus on the long-term rather than on short-term political considerations.

Nobody can deny the seriousness of the current Russian situation. But one has to recognise what we can do and what we cannot. Your editorial, "The choice over Russia" (March 17), argued that we should go ahead, despite the fact that there is no guarantee of workability. However, a G7 commitment which disregards economic logic will at best be unlikely to work, and at worst create unrealistic expectations and so be unproductive. This would be nothing but a panic reaction, and as such the G7 countries, in their self-appointed role as world leaders, have a basic responsibility to avoid it.

Masaki Omura,
chief representative,
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Duty could pay for equity settlement system

From Mr Jeremy Archer.

Sir, You suggest ("After Taurus, City lessons", March 23) that an equity market settlement system may not be a public good worthy of state attention, while previously saying the state is the only institution capable of overcoming the "free rider" problem.

According to the chancellor, the state will be raising about £1bn during the 1993-94 financial year from stamp duty payable on the purchase of securities. This tax is paid by those who use the settlement system. The same groups would benefit from further investment in that system. Where is the conflict with the doctrine of "public good" if this class of stamp duty were to be retained for just one more year, and the money raised thereby spent by the state on a new equity market settlement system?

Despite the Treasury's traditional reluctance to link fund-raising and spending, there can seldom have been such a clear-cut case for making an exception – particularly in the light of the recent fiasco and its potential implications for London as a financial centre.

Jeremy Archer,
100 Haldon Road,
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Filled with delight at the demise of the Taurus system

From W H Powell.

Sir, Am I the only one to be filled with delight at the demise of the computerised Taurus share registration system?

For a merchant banker whose idea of a long-term investment is about two weeks, the present system might seem a bit slow, but I cherish my share certificates. They assure me that I really do hold my shares. How would I ever persuade a computer that it had got my holding wrong? And would it ever tell me it had made a mistake?

The great British public has good reason to be delighted too. I'm sure it didn't look forward to two-thirds of a penny on income tax, or yet more VAT, to replace the chancellor's lost stamp duty on share transactions.

The present stamp duty falls on those who are affluent enough to own shares, but who knows where the tax to replace it would fall?

British industry ought to be pleased as well. It stabilises the value of companies by forcing investors to take a long enough view of their holding to recoup the stamp duty. Unit trust managers likewise stabilise their funds by the similar device of unequal bid and offer prices. In both cases the added stability makes for a more considered and longer-term approach to management.

I am far from convinced that an "efficient" stock market works to the good of industry. During their spectacular post-war growth traded volumes in Germany and Japan's stock markets were too low for them to qualify.

From the point of view of industry the stock market's significance lies in its willingness to absorb new share flotations and rights issues that can provide new capital. Trading on the other hand only provides an indication of the terms on which it might be raised. As far as I can see Taurus would have helped trading but done nothing to help provide new industrial investment. Yet it is that investment that is needed.

You may be surprised to hear that this contrary view comes to you from a chartered electronics engineer who works with computers daily.

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FINANCIAL TIMES
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Thursday March 25 1993

Unrest on the Belgian front

SPECULATIVE flurries surrounding the Belgian franc rarely give rise to more than a flutter on foreign exchange seismographs. Underlining Belgium's apparent credentials as a member of the "hard core" of the European Monetary System, since 1990 the Belgian National Bank has kept the franc within a narrow 0.25 percentage point fluctuation margin against the D-Mark.

Now, however, the illusion that the Belgian franc is simply a north-western appendage of the German currency has been shattered. Pressure on the franc forced the Belgian central bank to raise interest rates yesterday for the second time in six weeks. The outbreak of Belgian monetary hostilities does not represent an isolated incident. Belgium's travails illustrate problems at the heart of the Maastricht programme for European convergence.

The proximate cause of the difficulties is a budgetary squabble. Belgium's public-sector debt exceeds 130 per cent of gross domestic product. This is more than double the Maastricht target of 60 per cent – one of the conditions set to determine EC members' suitability for economic and monetary union (Emu). Interest payments were nearly twice last year's public-sector deficit of 6.8 per cent of GDP, itself well in excess of the 3 per cent Maastricht target.

Pleading the need to stick to the Emu path, Mr Jean-Luc Dehaene, the Belgian prime minister, has proposed 1993 tax rises and spending cuts equivalent to 1.6 per cent of GDP. After his coalition failed to agree, Mr Dehaene offered his government's resignation, though this may be essentially a ploy to concentrate coalition party minds.

Another reason for nervousness lies in uncertainty caused by parliamentary agreement last month to transform Belgium into a federal state. Fears that Belgium could disintegrate into two entities – Flemish-speaking Flanders and francophone Wallonia – may be overdone. Yet the accord has prompted some anxiety about the risks of an eventual north-south split over debt repayments. At the very least, regional factionalism could hamper the drive for budgetary solutions.

Belgium is trapped between two unattractive policy options. Monetary tightening – in particular higher long-term interest rates – will in the short run set back efforts to approach the Maastricht targets. The economy seems likely to contract in 1993, putting upward pressure on public deficits. In view of close trade ties with Germany, a dash for growth through devaluation would spur inflation.

Belgium has little choice but to keep taking the medicine. Yet if the general chances of attaining Emu come to appear increasingly remote, the painful policies Belgium is following will command ever diminishing public support.

Ways and means

THE GOVERNMENT'S go-ahead for a £2.5bn rail link between London and the Channel tunnel is a welcome commitment to a long-delayed and badly needed project. Commitments, however, do not build railway lines – that takes money and shovels, and so far neither are much in evidence.

Against this background, it is perhaps worth asking exactly what the rail-link commitment amounts to. First, the government has committed itself to a route. Second, it has committed itself to introducing legislation which will permit the line's construction. And third, it has committed itself to seeing the project go forward as a joint venture between public and private sectors, with the government "prepared in principle to provide substantial public-sector support".

What is missing from this list, of course, is any promise that the rail link will actually be built. The government cannot make such a promise because it still does not know who is going to build the line or how it is to be funded.

The hope must be that the chancellor's recently stated enthusiasm for encouraging private-sector participation in the funding of infrastructure projects is about to bear fruit. After amiable discussions between the private sector and the Treasury, the two will supposedly agree a funding package that allows the private sector to make a good profit while simultaneously ensuring value for money for the taxpayer.

Yet this kind of optimism suggests a triumph of hope over experience. The objectives of public and private sector in any joint venture are clearly in potential conflict, because the point at which the private sector begins to make money is the point at which the Treasury begins to feel cheated. Hence, at the government's last attempt to get the Channel tunnel rail link built through joint funding, the government contribution demanded by the private sector proved to be so large that the government tore up the proposal in horror. And even where public and private sectors do find it possible to agree on the principles of a funding package, there can be severe difficulties in translating the agreement into cash. Witness, for example, the long delays in getting the private sector to deliver its promised contribution to the £1.8bn Jubilee Line extension.

Perhaps it will all be different this time. Certainly, the government's commitment to joint funding sounds stronger than ever. Certainly, the government's plans for developing the east Thames corridor add a new imperative. But with each new go-ahead for transport projects that never materialise, the British public grows wearier and more cynical about the prospects that any of them will happen. The government stands to be judged on whether this latest private funding initiative has real substance, or whether it is just the latest in a long line of excuses for procrastinating over vital improvements to the nation's inadequate transport infrastructure.

The Bank's role

BACK TO basics has been the slogan of countless companies after the conglomerate excesses of the past three decades. The idea appears now to have penetrated the rarefied world of central banking. Yesterday Mr Brian Quinn, an executive director of the Bank of England, warned that there was a growing mismatch between the ever-wider range of services provided by commercial banks, and the allocation of responsibilities among watchdogs. Consumer protection in the wider financial services area was not, he argued, the right role for a central bank; and he added, in a characteristic piece of central bankerly understatement, that there was "a question whether the current arrangements may not, at some point, have to be considered".

A clear re-statement of the Bank's role in prudential supervision is undoubtedly welcome, after the debacle of Bank of Credit and Commerce International. But whether the narrowness with which the Bank defines its remit can be reconciled with market reality is a moot point. Mr Quinn chooses to make a distinction between supervision, which is one of the means by which central bankers head off risks to the banking system as a whole, and regulation, which he sees as being about rules covering activities, products and services available to investors and policyholders. Yet in practice, the distinction is often blurred.

After the implementation of monetary policy, the chief role of the Bank is the protection of depositors in the interests of the stability of the system. Mr Quinn puts a traditional case for the activity of prudential supervision being tied to the central bank acting as a lender of last resort to individual institutions. And, without being specific to the point of raising questions of moral hazard, he sets out unexceptionable criteria for such last resort lending operations.

The difficulty arises over the erosion of boundaries between different financial products. Savings products such Tessas are both a deposit and an investment. Even where banking products are not closely related to deposits, any loss of confidence in them could still lead to cross-infection, as Mr Quinn himself acknowledges.

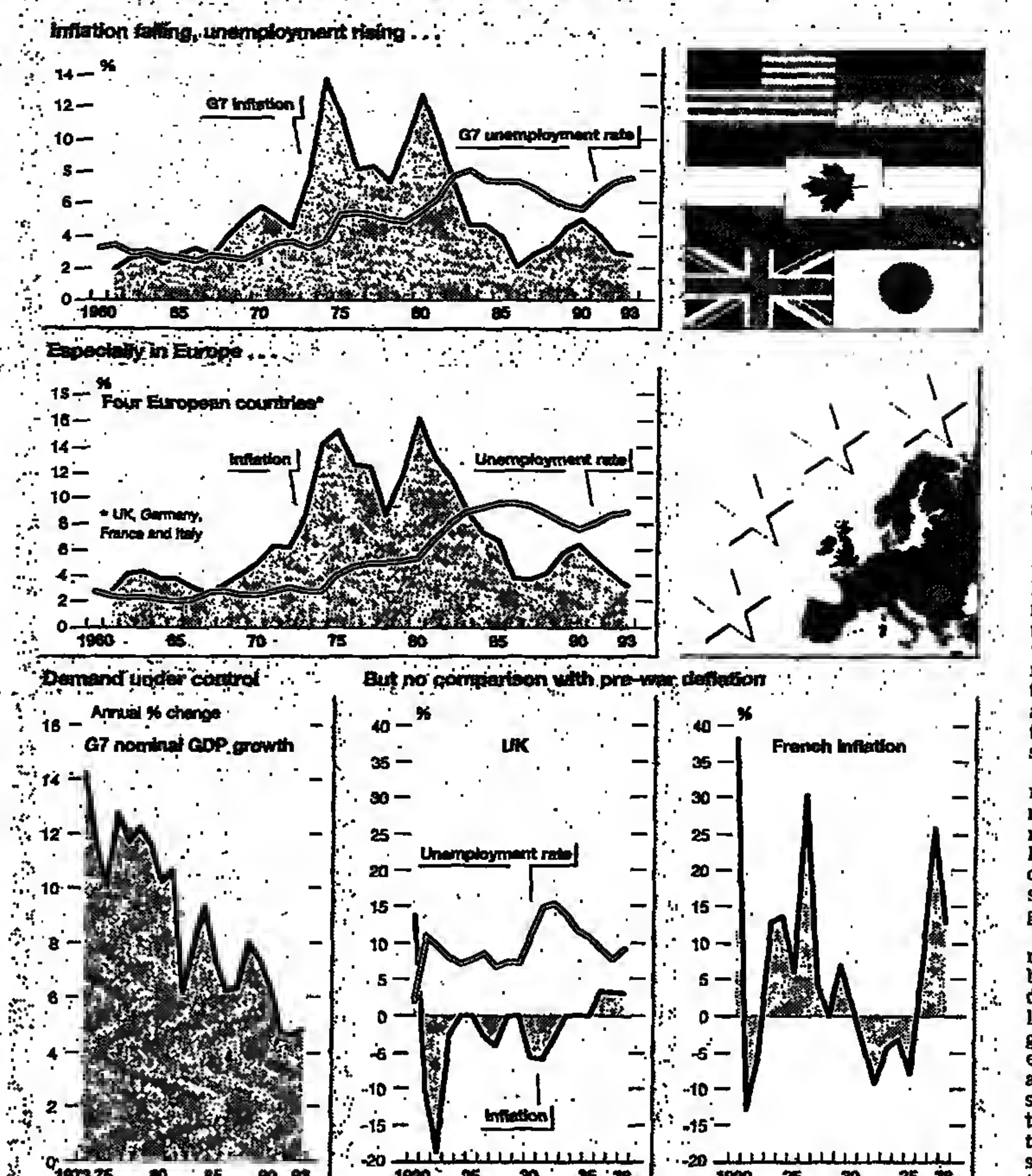
The fact is that convergence in financial services is very different from conglomeration in industry. It is rooted in market logic and, in some cases, genuine product synergy. As commercial banks have lost their corporate clients to the investment bankers, a purist definition of the lender-of-last-resort function which confines itself to commercial banking also becomes unrealistic, as the stock market crash of 1987 demonstrated. In order to restrain the moral hazard implicit in deposit insurance and last-resort lending, there is a powerful case for creating a separate category of heavily insured low-risk, low-return deposit taking institutions. But even then, uninsured institutions could still pose systemic threats. One suspects that the Bank of England, regardless of its formal responsibilities, would still end up taking the flak.

ECONOMIC VIEWPOINT

Tide turns in the world economy

By Samuel Brittan

Worldwide movements in prices and unemployment



Turning points have so often been diagnosed in the world economy that any suggestion of a new one must be made very tentatively. Yet a glance at the charts in this article suggests that one may have arrived; and the thought is re-enforced by two disquieting themes which have emerged from the UK Budget.

One is the pessimistic Treasury projection of a widening gap between actual output and productive potential, despite the so-called recovery. This has abysmal implications for unemployment, despite last month's freak good figures.

The second theme is that a yawning Budget deficit is still in prospect even after the chancellor's tax increases. The two themes together lead to a dilemma which is brought out most starkly by the more pessimistic projection provided by the Treasury as an alternative to its central assumption. This shows that, with a growth rate only ½ per cent a year below the central path, the public sector borrowing requirement would remain in 1997-98 – one year or more after the next election – nearly twice the Maastricht limit.

This is probably too pessimistic. But if the British government were faced with this prospect, should there be fierce curbs on public spending and more tax increases – which might make low growth even worse? Or should the deficit be allowed to run or even increase, despite galloping debt interest, which by the late 1990s is expected to exceed £30bn and account for almost all the projected deficit?

There has been a near-silence on this dilemma since I posed it last week. For no one has yet satisfactorily resolved whether Budgets are primarily exercises in government housekeeping or whether they have a wider role in balancing the economy, which might make it legitimate to deliberately budget for a deficit. A longer and international perspective might help.

The background to the revival of sound money orthodoxies in the 1980s was the experience of the later 1960s and the 1970s. By then the attempts of governments to spend their way into full employment objectives led to increasingly rapid inflation, without any discernible benefits for unemployment which soared from one business cycle to the next. The end of the Bretton Woods system, and the first oil-price explosion following the Yom Kippur war of 1973, signalled the end of the postwar golden age. Subsequently, stagflation – high unemployment combined with high inflation – dominated the scene.

The ground was thus prepared for the counter-revolution which declared that Budgets should be balanced, or nearly so, at least over an economic cycle, and that monetary policy should be given the task of trying to avoid both inflationary and deflationary shocks. Growth and jobs were then left to supply-side policies – often a euphemism for lower and more flexible wages and weaker unions.

A fresh bout of rethinking may now, however, be required. For we are no longer in a world where each successive cycle takes inflation to new heights. The inflationary peak of 1990 was well below the peaks of 1974 and 1980. On the contrary, inflation now seems to be declining steeply from one cycle to the next.

The application of the monetary brakes required to deal with the much more moderate inflationary upsurge of the late 1980s has nevertheless led to a severe increase in unemployment. It will not be surprising if it goes higher than in the previous cycle, especially in Europe.

It is thus at least worth considering whether we may be approaching a period of secular demand deficiency – by which I mean a period when output and employment are held down by an inadequate level of private and public spending. The Keynesians who cried "wolf" so often in the postwar decades may eventually come into their own.

It is vital not to exaggerate. The increase in total spending in the Group of Seven countries, measured by nominal GDP (which is also equivalent to inflation plus real growth) has never fallen below 4½ per cent per annum in the recession of the 1990s – admittedly further than it did in the 1980s, when it never went below 6 per cent. But this is still a complete contrast to the 1930s when prices fell by double digit amounts in the US and Germany; and even in the UK prices dropped by an average of nearly 5 per cent for three years running.

Indeed, it is ludicrous for enemies of the *franc fort* policy, under which French inflation has fallen to 2 per cent; to compare its tribulations with the prewar period when France remained too long in the gold bloc. In that period French prices fell for five years in a row.

We are no longer in a world where each successive cycle takes inflation to new heights; rethinking may be required

Nevertheless it is just possible that the macroeconomic environment may become an obstacle to employment in its own right.

In any case, it is quite likely that ingrained habits and institutions are such that attempts to reduce inflation literally to zero run into a strong resistance barrier and thus have an effect on output and employment similar to that arising from outright deflation between the wars. With consumer price inflation in the G7 countries now averaging just less than 3 per cent a year the world is not far from reasonable price stability.

If inflation remains low or negligible over the next few cycles, but unemployment continues to creep up and output to stay well below potential, it will not be good enough just to parrot the slogans of the 1980s. How then should we respond to a problem of medium-term demand deficiency if it occurs?

I have just finished reading the second volume of Robert Skidelsky's Keynes biography, The Economist as Saviour, covering the 1920s and 1930s. I am still unable to compete in saying what Keynes really meant or should have meant. But some features hit one in the face.

Keynes's most frequent theme was the need for low interest rates to prevent demand deficiency from occurring. He was scutely aware that interest rates were a highly psychological phenomenon and he was always sensitive to anything which would give an unnecessary upward push to market ideas of the normal rates. For instance, he argued in 1937 that the main part of the cost of prewar rearmament should be met out of taxation. For he was very anxious not to use interest rates as a brake on demand. "If we allow the rate of interest to be affected," he remarked, "we cannot easily reverse the trend."

The success in reducing inflation now makes it hard to secure negative, or even very low, real interest rates

In the 1990s, it is clear that long-term real interest rates are set in the international capital markets. There are, moreover, limits to how far even nominal short-term interest rates can be reduced unilaterally. Even outside the European exchange rate mechanism, attempts by medium-sized European countries to reduce interest rates too far on their own can all too easily lead to continuing depreciation and high rates of inflation, without any offsetting benefit to jobs. This is in contrast to the 1930s when the presence of outright deflation drew the sting from currency depreciation.

Today, it is only in the context of a stabilisation programme for a large group of countries, such as the G7, that the low interest rate route is feasible. The main obstacle to its achievement is the Bundesbank's desire to reduce interest rates slowly because of post-unification stresses, despite the gathering German recession.

But to come back to Keynes: his flirtation with public works began in the 1920s, when the commitment to stay on gold at the 1914 parity precluded a cheap money policy. In the 1930s he had a more fundamental worry. This was that it might not be feasible to get interest rates down far enough to secure maximum non-inflationary levels of employment. Thus public investment acquired a new role as a supplementary method of demand management, irrespective of the external and monetary regime.

Nevertheless the role of investment in stimulating demand does not follow from Keynesian theory, whatever Keynes himself might have thought. Formally, Keynes emphasised investment because it was the component of demand that fluctuated most. But when there is a deficiency of total spending, whatever its origin, increased spending of any kind, including consumer spending, is just as good at plugging the hole.

How about using Budget deficits to stimulate private spending? Keynes never made quite clear, or fully worked out, what he really thought of Budget deficits. Sometimes he claimed that public investment would so stimulate activity that the Budget would be rebalanced within a few years. At other times he emphasised the need for a separate capital Budget.

In our own time the first instrument for maintaining adequate nominal demand growth must be monetary and interest rate policy. But if recovery turns out to be weak or very prolonged, we may have to settle for a series of quite high Budget deficits as shock absorbers.

Even though an internally held national debt is mainly a transfer burden between citizens, it is a burden nonetheless. It is better to avoid levying ever-heavier taxes on one group of citizens in order to make ever-high interest payments to another and overlapping group. The sooner the burden can be transfered to monetary policy, the better. In the meanwhile, the UK government should adopt a less cavalier attitude to the debt interest rate burden and try to minimise it by devices such as more short-term borrowing, and more borrowing on indexed terms.

If at all possible, the Budget should be brought back towards balance, or at least towards the Maastricht guidelines in the course of the 1990s. The weasely "if possible" is there because the chance of a Keynesian liquidity trap, which would prevent interest rates falling to a level consistent with non-inflationary growth, has to be taken seriously, for the first time since the second world war.

When the world was hit by a negative demand shock after the first oil price explosion in the 1970s, it was very easy to have negative real interest rates. Because of the inflationary background quite high nominal interest rates could be combined with negative real ones. Although this had its disadvantages, it was of some help in cushioning the recession of the 1970s. Today, this route is closed. For the very success in reducing inflation now makes it hard to get negative, or even very low, real interest rates.

But I cannot resist remarking in conclusion that a nominal GDP objective – an old hobby horse of mine – would serve equally well if the need still is to rein back against inflation, or if it turns out to be something more expansionary.

OBSERVER

Knight time search

■ The irony of yesterday's humiliating statement from Barclays Bank should be obvious to all but the most short-sighted City fund manager. Here is a bank which has trained the well-regarded chief executives of Midland, Standard Chartered and the TSB, announcing that it can't find a chief executive from within its own ranks.

The idea that Barclays Bank's management below board level is any worse than the other high street banks is hard to justify. True, the bank made a fool of itself in the property market and has mucked up its management succession. But was it really necessary for the five knights of the Barclays boardroom to send out such a demoralising signal to the other ranks? Even during NatWest's darkest hour, there was never any suggestion that it should hire a chief executive from outside.

No doubt the decision to look externally will be applauded by the corporate governance bores. There is no shortage of out-of-work US bankers who would jump at the chance of running Barclays. Australia's troubled Westpac, for example, has just imported Robert Joss from Wells Fargo. Bank of Scotland's Bruce Patullo, who has made fewer mistakes than most bankers, could be a contender. But his weakness is that he insists on combining the job of governor and chief executive.

Whoever it is, the next chief executive of Barclays will almost certainly have to be a real banker since there are not many left on the board. The decision to bring in an outsider is risky. A more sensible alternative would have been to promote a respected non-executive director, like Sir Martin Jacomb, to be chairman and leave the current chief executive to sort out the mess.

No charge

■ A mobile phone racket which has already confused the airwaves over Australia and Sweden has hit London. High tech criminals who have pinched mobiles have found a way of altering the in-built electronic security number so that the bill goes to another user. Salesmen in long coats lined with phones are now touting stolen state-of-the-art equipment around offices to London for £260 apiece with the promise that they will be good for a year, no charge.

Gives Freefone numbers a whole new meaning.

Carla's boys

■ At a time when the new US administration is upsetting its partners with confusing signals on trade policy, it is only natural that Carla Hills, the former US trade representative, should try to exploit the policy vacuum.

'You're just upset because the press hasn't invaded your privacy lately'

Hills, 59-year-old wife of former SEC chairman Roderick Hills, has followed the route of many out-of-work politicians and become a Washington consultant. Her former deputy Julius Katz, and a couple of her other officials, Erin Endean and Robert Fisher, have joined her in the aptly named Hills Company whose aim is to help businesses maximise their opportunities and minimise their risks in the global economy.

Even though she is one of yesterday's executives, her reputation for effectiveness means that there should be no shortage of clients wanting their hands held as they watch the worrying conflicts emerging in the new administration's trade policy.

Admittedly, Hills is first and foremost a lawyer, like her successor, Mickey Kantor. She made her initial mark as a ruthless negotiator rather than a policy-maker. But strength as a policy-maker emerged quickly thereafter. Kantor, take note.

Farming out

■ Meanwhile, long-suffering watchers of the Gatt round may be heartened by the latest reshuffle of Chancellor Helmut Kohl's agricultural team. Franz-Josef Feiter, the chancellor's adviser on agriculture, has moved over to the Agriculture Ministry to become the new state secretary there.

His responsibility as the chancellor's leading adviser on the Gatt trade negotiations now falls to his colleague Johannes Ludewig, head of the economics department. Given Ludewig's greater interest in free trade, and lesser interest in protecting agriculture, this could be bad news for France's rearguard action to resist a compromise on farm trade in the Gatt. Watch this space.

Dust flying

■ Has dirty work entered the contest between British Gas, the monopoly household supplier, and ambitious newcomer Alliance Gas? One of the biggest contenders in the now competitive industrial market, Alliance claims that if allowed to serve domestic customers, it could cut their bills by £50 yearly – which the reigning supplier disputes hotly.

Hitherto, the two sides have confined themselves to rival advertising campaigns. But now British Gas has begun noisily and dustily digging up the road outside Alliance's headquarters.

Nor were staff there any happier for the news that another of the diggers' enemies, the Office of Gas Supply, was rocked by a loud gas explosion in its basement yesterday.

Boxing clever

■ Older Brits can now cushion Norman Lamont's impending rises in household heating prices, thanks to a new kind of amortisation package from a company in California.

It enables them to keep warm by working to cut long-term cost obligations, so helping to finance short-term increases in fuel bills.

For about £7, Direct Funeral Services of Alameda will send them plans to build their own coffin which, in the interim, can be fitted with temporary shelves for use as a bookcase.

"When you build it yourself, it no longer strikes you as a casket," says the company's proprietor, a former Baptist minister called Al Carpenter.

FINANCIAL TIMES
Thursday March 25 1993

Serb shelling of Srebrenica airlift breaks agreed ceasefire

France and UK suspend Bosnia air evacuation

By Robert Mauthner in London and Laura Silber in Belgrade

FRENCH and British helicopters, which yesterday started to evacuate Moslem civilians from the besieged enclave of Srebrenica in eastern Bosnia, were forced to suspend operations a few hours later because of heavy Serb shelling of the towo.

The mission was halted shortly after two British helicopters had evacuated two Canadian soldiers of the United Nations peacekeeping force wounded by the Serbs. Earlier, Serb shells had killed a civilian minutes after three French helicopters had taken away 21 wounded Moslems.

The British Sea King helicopters had flown into Srehrenica under fire but were able to leave unharmed, in spite of the fact that the Serb bombardment appeared to he deliherately directed al the town foothall pitch which was being used as the landing zone.

The Serb action was described as "the ultimate in despicable behaviour" by Brigadier Roddy Gordy-Simpson, British chief-of-staff at the UN Bosnia command. UN officials immediately protested to the Serb military, which had agreed to a ceasefire to allow the airlift to succeed.

Srehrenica has heen under siege since last April. Under a deal worked out by General Philippe Morillon, the French UN commander, Serh leaders had authorised the evacuation of sick and wounded on condition that 46 Serh inhabitants of Tuzla, a Moslem-held town in northern Bosnia, would also be evacuated.

The Serb forces are only a few kilometres away from Srebrenica and it is feared that they are preparing for a final assault.

In New York Lord David Owen, one of the two peace mediators on the former Yugoslavia, yesterday delivered a strong protest to Mr Radovan Karadzic, the Bosnian Serb leader, over the shelling of the helicopter relief flights.

● The German government decided yesterday to send military transport aircraft to join US flights dropping emergency supplies to Moslem communities in Bosnia, and border patrol vessels to enforce the Yugoslav trade embargo on the river Danube, writes Quentin Peel in Bonn.

But the ruling coalition is deeply divided on whether to allow German air crews to stay on board Nato Awacs reconnaissance aircraft over the Adriatic. The Free Democrats, junior party in the coalition, insist that if the UN decides to enforce e no-fly zone over Bosnia, the role of the Awacs aircraft will become combat-related, and the German crews must be withdrawn.

Coalition leaders were in emergency session last night, seeking to resolve their differences, even though the Security Council cancelled its session at which the resolution authorising the use of force to enforce the no-fly zone was expected to be adopted.

Leaving home: A Serbian girl sits crying in the bus taking her and 45 other Serbs from their homes in the northern Bosnian town of Tuzla

Belgium lifts rates after ruling coalition resigns

By Andraw Hill in Brussels and James Blitz in London

BELGIUM'S central hank was yesterday forced to raise official interest rates to support the franc, after tbe resignation of the ruling coalition government triggered strong selling of the currency inside the European exchange rate mechanism.

Belgian government bonds and share prices also came under pressure as financial markets remained uncertain about the future of the country's fragile ruling coalition and its commitment to reducing the looming hudget deficit. King Baudouin was yesterday consulting senior politicians over whether to accept tbe resignation of Mr Jean-Luc Dehaene, the prime minister, and his centre-left coalition.

Mr Dehaene offered to resign on Tuesday night, after coalition partners failed to agree on how to hring Belgium's budget deficit into line with the economic criteria for European economic and monetary union set out in the Maastricht treaty.

The Belgian national bank raised its central interest rate from 8 per cent to 8.5 per cent and its end-of-day rate from 9 per cent to 10 per cent to protect the Belgian franc as the currency weakened against the D-Mark.

Belgium's central bank has an informal commitment to peg its curreocy closely to the D-Mark to underline its commitment to monetary union. The rate rises triggered support for the Belgian franc, which closed unchanged on the day at BFr20.62 against the D-Mark.

The Bel-20 index of Belgium's largest stocks slipped by 9.41 points, less than 1 per cent, to 1,246.91, and the yield on government bonds opened higher and changed little during the day.

Mr Dehaene, a Flemish Christian Democrat, insists that all four government parties – Socialists and Christian Democrats from both sides of Belgium's language divide – are committed to reducing the deficit.

Political analysts suggested he had offered to resign because he wanted to make all the four parties realise the potential gravity of the dispute.

The king is thought most likely to refuse the resignation offer and insist that the coalition partners reach a compromise on hudget measures, which are aimed at raising BFr110bn ($3.3hn).

US-Japan talks on chips trade deadlocked

By Louise Kehoe in San Francisco

THE US and Japan are deadlocked on the issue of setting new market share targets for semiconductor trade, with Japan refusing to agree to the use of any quantitative measure for foreign access to the $20bn Japanese semiconductor market.

US and Japanese trade officials meeting in Hawaii ended their talks on Tuesday without resolving the dispute. The US has been pressing for a new market share target of an average 20 per cent in 1993 for foreign sales of semiconductor products in Japan.

The semiconductor dispute has taken on a broader significance in light of comments by Mr Mickey Kantor, US trade representative, that he may take a similar approach, setting "temporary quantitative indicators" in other sectors where the US believes that the Japanese market is not open to US companies.

The semiconductor market-share target issue will now be taken up at senior US administration level, in advance of a visit by Mr Kiichi Miyazawa, the Japanese prime minister, to Washington next month.

The US could seek an amendment to the 1991 bilateral semiconductor trade pact, including new market share targets. Alternatively, an informal agreement could be sought. Most likely, however, the US would take a unilateral position, declaring its new market-share target and using it as the primary measure of Japan's compliance with its promise to ensure greater market access for foreign chip suppliers.

Japan is determined to avoid any use of market share targets in future trade agreements, and is taking a stand on the issue in the semiconductor trade talks.

Last week, the US and Japan announced that the previous semiconductor market share target, a 20 per cent foreign share of the Japanese semiconductor market, set in a 1991 bilateral trade agreement, had been achieved in the fourth quarter of 1992.

While the US has hailed this as evidence that market share targets are an effective means of prying open Japanese markets, Japan maintains that the semiconductor trade agreement has been misinterpreted hy the US.

EC approves Norwegian membership application

By David Gardner in Brussels

THE EUROPEAN Commission approved Norway's application to join the European Community yesterday, and accession negotiations are expected to opeo formally when EC foreign ministers meet in Luxembourg oo April 5.

Brussels is moving fast to hring talks with Norway into line with entry negotiations that began on February 1 with Austria, Sweden and Finland. The Commission bopes all four can achieve EG membership hy 1995 if their governments can win puhlic approval.

Norway rejected EC membership in a divisive referendum in 1972, and enthusiasm for joining the Community there and in Sweden and Finland is lukewarm.

Mr Hans van den Broek, EC foreign affairs commissioner, took a tough line when he conducted the negotiations and he stressed yesterday that all the applicants had to accept existing EG rules and laws, and the Maastricht treaty.

Mr Hans van den Broek restated EC policy that there was oo prospect of granting the applicants the opt-outs on monetary union, common defence policy and European citizenship devised to enable Denmark – whose voters narrowly rejected Maastricht last June – to re-present tbe treaty in a second referendum on May 18. He added that "it's not our task to influence the very mature public opinioo of Norway one way or the other".

In common with its co-applicants, Norway will spend the next few months working through a list of EC laws, testing whether they are compatible with their own laws. Most, however, have been brought into line via the European Economic Area treaty, which created a free trade zone between the EC and the European Free Trade Association to which all the candidate countries belong.

Trickier issues – such as agriculture, fisheries, competition law, atate aid, regional policy and, especially for Norway, energy – will be dealt with separately in 29 "packages".

The hope is to conclude the negotiations by the end of the year, enabling referendums in the applicant countries next year.

Mrs Gro Harlem Brundtland, Norwegian prime minister, who was in Rome for talks with Mr Giuliano Amato, her Italian counterpart, was quoted as welcoming the Commission's finding as "very positive".

Russian leadership talks break down

Continued from Page 1

re-emphasised that the G7 countries should encourage economic reform in Russia particularly by promoting small businesses and privatisation.

Jurek Martin reports from Washington: Mr Andrei Kozyrev, the Russian foreign minister, skatched out a plan for closar co-operation between his country and leading industrialisad nations, eventually leading to full-fledged Russian membership of the Group of Seven.

In a Washington speech before to a White House session with Mr Clinton, Mr Kozyrev argued that the phased economic integration of Russia into the G7 "should become an integral part of the Russian-US co-operation programme."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	8	46	Frankfurt	F	9	48	Majorca	F	20	68	Oporto	F	16	61	Tenerife	S	22	72
				Brussels	S	9	48	Geneva	R	5	41	Malaga	S	21	70	Oslo	F	5	41	Tokyo	F	15	59
				Budapest	F	11	52	Gibraltar	S	18	64	Malta	S	20	68	Paris	F	11	52	Toronto †	Dr	1	34
Ajaccio	F	15	59	Buenos Aires	F	29	84	Glasgow	F	8	46	Manila	F	33	91	Prague	F	7	45	Tunis	F	21	70
Algiers	S	23	73	Cairo	S	23	73	Helsinki	C	4	39	Melbourne	F	18	64	Reykjavik	F	-1	30	Valencia	F	17	63
Amsterdam	F	9	48	Cape Town	S	30	86	Hong Kong	F	27	81	Mexico City	C	26	79	Rhodes	S	18	64	Venice	R	12	54
Athens	S	19	66	Caracas	F	32	90	Innsbruck	R	4	39	Miami †	S	22	72	Rio d'Janeiro	C	35	95	Vienna	C	10	50
Bahrain	S	20	68	Casablanca †	F	19	66	Inverness	C	5	41	Milan	Dr	11	52	Rome	F	16	61	Warsaw	S	7	45
Bangkok	F	33	91	Chicago †	Dr	3	37	Islamabad	C	19	66	Montreal †	C	-4	25	Salzburg	R	4	39	Washington †	Dr	7	45
Barcelona	Dr	12	54	Cologne	F	9	48	Istanbul	S	16	61	Moscow	Sn	2	36	S'Francisco †	C	11	52	Zurich	R	5	41
Beijing	S	17	63	Copenhagen	F	7	45	Jakarta	–	–	–	Munich	R	6	43	Seoul	R	6	43				
Beirut	S	18	66	Corfu	S	15	59	Johannesburg	F	20	68	Nairobi	S	21	70	Singapore	F	31	88				
Belfast	C	8	46	Dallas †	S	8	46	Lisbon	F	18	64	Naples	F	16	61	Stockholm	F	5	41				
Belgrade	F	13	55	Dublin	F	9	48	London	C	8	46	Nassau	C	26	79	Strasbourg	F	10	50				
Berlin	F	8	46	Dubrovnik	C	16	61	Los Angeles †	C	15	59	New Delhi	S	25	77	Sydney	S	23	73				
Bermuda	C	19	66	Edinburgh	S	9	48	Luxembourg	F	9	48	New York †	R	2	36	Taipei	F	30	86				
Bombay	F	30	86	Faro	S	21	70	Madeira	F	19	66	Nice	F	14	57	Tangier	F	20	68				
Bordeaux	S	12	54	Florence	F	14	57	Madrid	F	17	63	Nicosia	S	21	70	Tel Aviv	S	25	77				

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

THE LEX COLUMN

Cashing in at Reuters

Reuters' ruminations about whether to distribute some of its £710m cash mountain to shareholders again arouses the suspicion that it may be running out of growth. If Reuters concludes its shareholders can use the cash more advantageously than it can, it would be tacitly admitting that future expansion was at least limited. This, though, would be a rather unkind interpretation of a commendable instinct.

The temptation for companies with strong cash flows is to make acquisitions. The result has often been foolhardy diversification which has diluted returns. So far, Reuters has shown restraint. The company certainly plans modest purchases in related areas. It also lifted its capital expenditure last year by a quarter to almost £200m. Even so, Reuters is likely to continuing throwing off surplus cash. As interest rates fall, it becomes more pressing to consider how to use it.

The theory of distribution is fine. But the practicalities are fraught with complexity. A special dividend would be one option. The drawback is that shareholders would benefit to varying degrees depending on their tax position. Moreover, Reuters' shareholders have traditionally looked for capital appreciation, not yield. A share repurchase scheme may be preferahle, despite the difficulty of coping with different regulatory and tax regimes in the UK and US. Several other companies, ranging from GEC to BT, face actual or incipient problems of surplus cash. It would be nice if Reuters could publish a solution on its wires.

FT-SE Index: 2860.6 (-0.5)

Source: FT Graphite

In the meantime, Lasmo looks like a high-cost producer without the financial muscle to compete with the best. Without a sustained rise in the oil price, a fresh injection of equity looks the only way to restore financial balance. Raising US preference capital may provide a partial solution. Having disappointed the UK stock market on so many occasions, though, Lasmo cannot count on the real thing.

Lasmo

Mr Joe Darby, Lasmo's new chief executive, deserves credit for cutting the dividend. Last year's £80m payout, including the write-off of advance corporation tax, was too high for a loss-making company with £1bn debt. Yet the 2.5 per cent yield on the shares is hard to square with Lasmo's modest growth prospects. That the Markham gas field is now on the block suggests divestment is eating into core assets. With exploration spending cut again this year, Lasmo will be hard-pressed to replace oil now being drilled with new reserves.

Tbe Liverpool Bay gas project sbould deliver good profits in the second half of the decade – assuming the government's energy review does not block the power projects on which it depends. That may limit the downside.

Kingfisher

Kingfisher's decision to extend its everyday low pricing policy at B&Q looks like the market leader tightening the screw on the competition. The timing, just ahead of the crucial Easter trading period, is certainly tactical. But the strategy depends upon longer term performance improvements whicb the others will find hard to match. Texas may find a refuge in the softer home furnishings and decoration area. Do It All has nowhere to run. Only the high costs of exit will prolong the agony.

Kingfisher's other hig idea is Europe. The Darty acquisition is proof of his commitment, but the proposition still seems suspect. If markets are becoming increasingly similar, then bow can Darty's high margins in France be squared with Comet's weaker showing in the UK? Any convergence seems likely to be in the direction of lower, not higher margins.

UK coal

However hard the government struggles, it seems unable to produce a black and white plan for the future of the coal industry. Indeed, if the smoke signals are to be believed, the past few weeks have been spent hammering out the final details of the basic coal contract with the electricity companies which was supposed to have been agreed last September. That deal by itself will not save any of the threatened pits. And while the generators are, in principle, happy to take some extra coal, provided that it is at world market prices, they have not yet agreed to do so.

The government thus has to produce a proposal to subsidise coal without firm commitments from the generators. It seems likely to underwrite the production of an extra 12m-15m tonnes for the next two years, reprieving around 11 pits. But they will have to cut costs to world prices in that time if they are to survive. Another half dozen pits may be mothballed to make up the numbers. A few may even be sold off to contractors who would rip cheap coal out as quickly as possible, and then close the mines. Given that British Coal has failed to cut its costs fast enough in the past three years, it is tempting to assume that the government is only postponing part of the agony. Yet 19m tonnes of coal were imported to the UK last year, so there is a potential market, at least, for some of the threatened output.

Meanwhile, the generators, National Power and PowerGen, seem to have faced dowo Mr Heseltine and his threats of legislation. The recent run-up of their shares to all-time highs thus looks justified. After this debacle, any enthusiasm for an early monopolies and mergers inquiry into the generation duopoly must have wilted.

Merck

It is difficult to separate the wheat from the chaff in yesterday's profits warning from Merck. If profits at the largest US pharmaceutical company are being squeezed hy government regulation and price-sensitive customers, the rest of the sector will surely suffer. The market's knee-jerk response in marking down Wellcome and Glaxo then looks correct. But to the extent that Merck's earnings are damaged by a strong dollar – around half its sales are made outside the US – UK pharmaceutical companies actually stand to benefit. There is also the nagging suspicion that companies like Merck might seek to blame the poor performance of specific drugs on wider industry trends. The fine print in its first-quarter figures will make more interesting reading than usual.

INSIDE

Pernod-Ricard rises 15% to FFr1.13bn

Pernod-Ricard, the leading French drinks group, lifted profits by 15 per cent to FFr1.13bn ($204m) as sales fell, owing to disposals. Mr Patrick Ricard, chairman and chief executive, said that "despite the unfavourable economic environment and the decline in consumption" the group had continued to show growth. Page 18

BCI tumbles 16.9% to L264bn

Banca Commerciale Italiana, the state-run Italian bank set for privatisation, suffered its second year of sharply-falling net profits with a 16.9 per cent drop to L263.8bn ($167m). BCI attributed its lower earnings to higher taxes and depreciation, write-offs on securities and heavier provisioning for loan losses. Similar factors are likely to push down earnings at most Italian banks this year. Page 18

China tries to stem the rush

Securities regulators trying to impose order on the speculative frenzy that prevails in a China – some of it in the street where market makers scrawl prices on blackboards – will have been reminded of Mr Deng Xiaoping's dictum: "Cross the river by feeling the stones." But the problem for the regulators is that the river is flowing swiftly and the stones are by no means secure. . . Page 20

Blenheim sees 'excellent' year

Blenheim Group, the UK exhibition organiser, forecast an "excellent" year after announcing higher than expected profits of £49.7m ($70.5m). Mr Neville Buch, chairman, said the company's established exhibitions had weathered recession in its main markets. Page 22

Crédit Lyonnais' looming gloom

Analysts expect gloom on Monday when Crédit Lyonnais, one of Europe's biggest banks, reveals its 1992 results – which may show a loss as heavy provisions bite. This grim scenario could jeopardise Crédit Lyonnais' hopes of being privatised and poses a threat to its chairman Mr Jean-Yves Haberer (left). Appointed by France's socialists in 1988, he risks losing his job if the right gains power. Page 19

Platinum move signals anguish

Tuesday's announcement by Rustenburg Platinum, the world's largest producer, that it was closing its Boschfontein shaft signalled the distress felt by South African platinum producers. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daimler-Benz	605.5	+	11
Heidelb Zem	1080	+	45
Mercedes Hld	480.5	+	15
Falls			
Aachen Mch	850	−	18
Karstadt	536	−	10
Philips Komzun	515	−	20
NEW YORK ($)			
Rises			
Dell Computer	35	+	1½
Microsoft	85¾	+	2¾
Falls			
Abbott Labs	23⅝	−	1½
Amgen	34¾	−	1¾
Carnival Cruise	33⅛	−	4
Merck	33¾	−	3¼
PARIS (FFr)			
Rises			
Imm de France	843	+	18
Peugeot	545	+	11
Schneider	888	+	11
Valeo	762	+	12
Falls			
Gaumont (Soc N)	581	−	16
Roussel-Uclaf	575	−	14
TOKYO (Yen)			
Rises			
Fujikura	678	+	33
Fujitsu	605	+	20
Gajoen Kanko	300	+	25
Suzuki Metal	400	+	45
Toshiba Bhd	330	+	27
Falls			
Kyowa Elec	451	−	39

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
AMEC	81	+	5
BT	420	+	13
Carlton Comms	748	+	27
Lex Service	335	+	16
Lincat	148	+	18
Manganese Brnz	85	+	7
Pittencrieff	386	+	19
Ramsden's (H)	155	+	7
Richardsons Westgth	77	+	8
Sanderson M & E	116	+	7
Steel Burrill	261	+	16
UMECO	36	+	6
VSEL	645	+	60
Falls			
BSG Intl	69	−	6
Barr & WAT A	218	−	22
Brodero	14	−	5
Clyde Petrol	48½	−	2¼
Cupid	35	−	4
Dorling Kind	284	−	41
Foster (J)	18	−	4
Harlstone	127	−	6
Lasmo	173	−	19
Lambert Hwth	445	−	30
Wilkes (J)	88	−	4

Nestlé gains 9.2% and increases dividend

By Ian Rodger in Zurich

NESTLE, the world's largest foods group, yesterday revealed better than expected profits for 1992. The group also proposed a dividend rise, announced a rights issue and set out a plan for simplifying its share structure.

Consolidated net profit rose 9.2 per cent last year to SFr2.7bn ($1.8bn) or SFr73 per share. The directors, describing the performance as satisfactory, are proposing that the dividend be increased from SFr21.50 per share to SFr23.50, and from SFr43 to SFr47 per participation certificate.

Meanwhile, the group, which also became the world's largest supplier of mineral waters following its SFr3.4bn acquisition of Source Perrier last summer, announced plans for a rights issue.

The terms would be disclosed later. The group said it would be "at below market price" at the rate of one for every 25 registered or bearer shares and two for every 25 participation certificates.

The directors are also proposing to convert the participation certificates into bearer shares at the rate of two shares for each certificate, and then to convert all bearer shares into registered shares at a rate of one for one. The aim was to simplify the capital structure and increase the market liquidity of Nestlé shares.

"The board is convinced this measure will render Nestlé shares even more attractive to institutional investors," the company said in a statement.

Owners of bearer shares and participation certificates could remain anonymous by not registering their holdings. In that case, however, they could not vote their holdings.

The 9.2 per cent growth in net profit for the year was, as forecast, substantially below the 16.5 per cent rate achieved in the first half, but it was higher than some recent analysts' estimates.

Sales were up 8 per cent to SFr54.5bn and the group said volume grew 3.3 per cent. "This increase, which is neither influenced by currencies nor by acquisitions, is all the more satisfactory since it was obtained in spite of economic downturns in many regions of the world," Nestlé said.

Trading profit gained 10.8 per cent to SFr5.6bn, indicating a margin improvement for the third year in a row, although not reflected at net profit level.

Telegraph directors meet to discuss Southam, write **Maggie Urry** and **Bernard Simon**

A deal with 'astronomical' potential

Mr Conrad Black's business career has often taken surprising twists. But, for some of those in London who follow his publicly quoted UK newspaper group, The Telegraph, the sentiments aroused by his latest shift of tack go well beyond surprise.

Last November, Mr Black's Canadian company Hollinger bought a 23.5 per cent stake in Southam, a Canadian newspaper group, at a price of C$18.10 per share, at the time a 15 per cent premium to the market price. Hollinger has since offered The Telegraph half this stake, at the same price, at a cost to the UK group of £72.3m ($107m).

The purchase was approved by The Telegraph's independent directors, ready for a vote by shareholders. The majority of the shares in The Telegraph, some 68 per cent, are owned by Mr Black's interests; but only outside shareholders will vote on the deal. The shareholder vote was set for March 30.

Then came the twist. Last week, Power Corporation, the holding company of Mr Paul Desmarais, the Canadian financier, agreed to buy new shares from Southam at C$14 each. That purchase will give Power an 18.7 per cent stake in Southam, and dilute the Hollinger holding down to the same level. Power and Hollinger also came to a shareholder agreement which would give the two considerable influence over Southam.

To Mr Black, Southam is "a classic corporate recovery". It owns 17 newspapers, published in almost every main Canadian city. It lost C$153.2m in 1991 and C$262.9m last year, and has been struggling with borrowings which reached C$685m in 1991.

But debt is being reduced. Power's investment in Southam is worth C$180m and Southam is planning a C$75m rights issue later this year, which should leave the business virtually debt free. "The upside could be astronomical," enthuses Mr Black.

Canadian analysts generally support Mr Black's assessment of Southam. "They have a wonderful franchise and they should be able to make money," says Ms Sue Scully, of Richardson Greenshields.

It is not quite a clear-cut issue, though. If Power and Hollinger work together, they will have considerable influence over Southam. But if they fall out the story could be different. Some in Toronto suspect Southam did the deal with Power in order to reduce tha influence of the Hollinger/Telegraph axis.

Although Mr Black said in a letter to the FT that Hollinger and Power are "long-standing corporate friends and on occasion allies" Mr Black and Mr Desmarais have also been rivals, notably in the fight over Argus Corporation when Mr Black beat Mr Desmarais in a takeover battle.

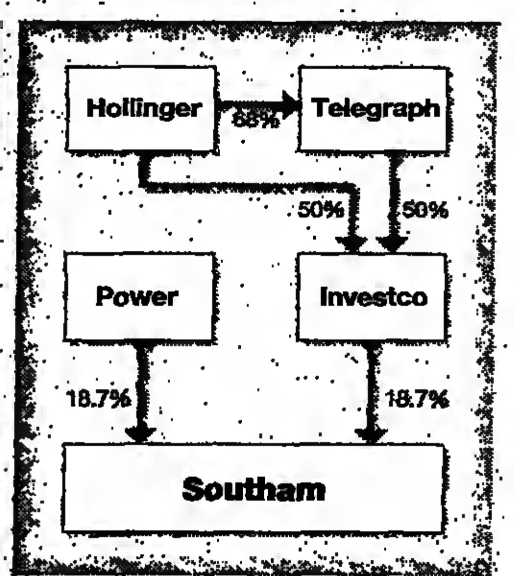
Still, a number of Telegraph shareholders and analysts in London focus not so much on the merits of the deal as on the way it has been handled.

On March 13 The Telegraph's independent directors sent a circular to shareholders recommending a vote in favour of the share purchase, and a meeting between directors of The Telegraph and analysts was held on Wednesday March 17. It was on Tuesday or Wednesday, say those close to the deal, that directors learnt of the proposed Power purchase and that Hollinger was negotiating an agreement with Power.

The Hollinger/Power agreement was finalised last Thursday and Telegraph shareholders heard about it the next day. The special meeting was postponed until The Telegraph's independent directors could review the changed circumstances, and meetings between the company and some shareholders were postponed. The independent directors meet today to discuss their recommendation.

How it will look

Conrad Black: Sees Southam as 'a classic corporate recovery'



If The Telegraph's proposals are agreed at egm
Source: The Telegraph

The Telegraph is still being offered the shares at $18.10. It has the option to sell the Southam shares back to Hollinger at C$18.10 for about a year, giving it what Mr Black calls an "almost risk-free opportunity".

The 17 independent directors endorsed the deal 10 days ago. One says: "We looked at it before the arrival of Power Corporation on the scene and we liked the idea then. The injection of new money into Southam might make it a better deal." Some Telegraph shareholders complain, however, that Power is getting a better deal still. Says one: "It does not make sense to pay C$18.10 for shares when others are buying at C$14. It does not make sense for us to support the transaction unless they can explain why it's a good deal."

An independent director says: "Mr Black said 'come in at my price or not at all'. I don't think it's negotiable. If it's a good deal it [the price] will come out in the wash." Power's arrival offers another advantage, says Mr Black. The agreement with Power, "largely vacates the so-called 'poison pill' arrangements which could have curtailed Hollinger's and The Telegraph's ability to be a constructive influence at Southam".

In the original circular, the Southam poison pill was described but the potential restrictions on Hollinger's and The Telegraph's influence were not emphasised. It said the holding proposed "should enable The Telegraph to influence the recovery of Southam". At the time Mr Joe Cooke, The Telegraph's managing director, said The Telegraph would have "quite a lot of influence" over Southam.

One institution says it is unhappy with the Southam deal. "The attraction to us in the shares was The Telegraph itself, not the rest," said the fund manager. "We did not buy shares in The Telegraph because we thought Mr Black was a good punter in media shares." Another shareholder argues: "Anyone who bought shares in The Telegraph knows that he [Mr Black] is a substantial shareholder and has an acquisitive track record. It's a case of the minority shareholders reviewing every deal put to them."

If The Telegraph's minority shareholders do not like the deal they can reject it – at the risk, Mr Black warned this week, of short-changing themselves. They will have to choose between the benefits of Mr Black's entrepreneurial style, and the occasional surprises to which it is likely to give rise.

Six GM colleagues join Lopez at VW

By Martin Dickson in New York

SIX EUROPEAN colleagues of Mr J Ignacio Lopez de Arriortua, the Spanish purchasing chief who quit General Motors last week to join Volkswagen, have also resigned from GM to join him at the German car manufacturer.

Three of them were among 20 GM purchasing executives in charge of buying parts and materials around the world, while the three others were more junior buyers.

The German company refused to confirm that the men would join the company.

Mr Lopez was appointed last week as head of production and purchasing at VW.

He was estimated to have cut $1bn or more of purchasing costs from GM's loss-making North American operations since his appointment as head of worldwide purchasing in May of last year.

Analysts regarded his departure as a considerable blow to GM's North American cost-cutting programme, as he brought an idiosyncratic flair to the job, but they did not think the loss of his six colleagues would have much additional impact on GM.

GM itself said the resignations of the six would have "little consequence" for its programme.

Four of the six worked for GM in Detroit and followed Mr Lopez there from Europe. They are Mr Jose Gutierrez, who was in charge of buying machinery and equipment; Mr Hugo Van der Anwera, in charge of buying metals, who came to the US in January; Mr Francisco Garcia, the executive responsible for purchasing bought electrical parts; and Mr Andre Versteeg, a more junior buyer.

The two other buyers worked for GM in Europe and were named as R. Piazza and J. Alvarez.

Analysts said the four Europeans in Detroit might in any case have found it hard to adapt to working for Mr Lopez's successor, who is expected to be named by GM before the group's board meeting on April 5.

In recent months VW has poached two other executives from GM Europe, which has become one of the most efficient carmakers on the continent.

They are Mr Erich Schmitt, a one-time member of Mr Lopez's cost-cutting team, who is now director in charge of buying at Audi, and Mr Jürgen Gebhardt, Audi's new production director.

Reuters considers distributing part of £710m cash mountain

By Andrew Bolger in London

REUTERS, the international information and news group, is considering ways of returning some of its £710m ($1.05bn) cash pile to shareholders – probably through a special dividend or share buy-back scheme.

The difference in tax and regulatory regimes between the UK and US – where Reuters has 35 per cent of its shareholders – would pose obstacles to both a cash payment and a share buy-back, a method more commonly used in Wall Street than the UK. Reuters said yesterday: "We have not yet decided whether we wish to make a distribution. This depends on the pace at which plans for business expansion proceed. There are also significant regulatory and tax issues which we are trying to resolve."

Analysts estimate Renters could hand back as much as £400m to shareholders and a buy-back would not be dilutive at about the present share price, and would enhance earnings at a lower level. Reuters shares yesterday closed 4p higher at £13.59p, giving the group a market capitalisation of nearly £6bn.

The annual report said that if Reuters decided that it had more cash than it required to develop new business, it had the capacity to distribute a proportion of this cash to shareholders without the need to write off unrelieved Advance Corporation Tax. Reuters achieved this by paying an increased dividend of £357m from its main operational company to the holding company in December, thereby preserving a portion of the group's ACT capacity.

The main concern for the company is that it will no longer be seen as a growth stock. Having increased profits rapidly during the 1980s, its performance has slowed as recession has struck the world's financial markets.

Reuters increased its capital expenditure by 25 per cent last year to £200m, but that was still overshadowed by strong cash generation.

The company is developing a new generation of products – such as Globex, which offers automated dealing for futures and options, and Dealing 2000-2, which provides a similar foreign exchange dealing system.

Analysts would prefer to see Reuters hand back some of its cash to shareholders, rather than be tempted to invest it an areas outside its core expertise.

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Barclays seeks outside executive

By John Gapper and Norma Cohen in London

BARCLAYS, which this month announced a pre-tax loss of £242m ($344m) and halved its final dividend, said yesterday it was embarking on a worldwide search for a new chief executive from outside the UK bank.

Mr Andrew Buxton, who became chairman and chief executive in January, has asked a group of directors to find a chief executive after sustained pressure from institutional investors for the roles to be split.

The appointment of an outsider is a significant change for Barclays. Most of its chairmen – including Mr Buxton – have been members of families whose banks merged to form it 96 years ago.

Sir Denys Henderson, chairman of Imperial Chemical Industries and a non-executive director of Barclays, said the group would ask a company of headhunters to find "someone with a good track record, who is experienced, and is an established agent of change".

Sir Denys, who will lead the group of five non-executive directors, said Barclays would probably appoint a senior manager of a bank or a financial services company, but might consider an "outstanding" candidate from elsewhere.

"There are some very competent people in Barclays, but just at this juncture someone from outside is needed to take a fresh look," he said.

Among the British candidates the bank might consider are Mr Brian Pearse, the bank's former finance director and now chief executive of Midland Bank, and Mr John Melbourn, head of credit risk at National Westminster Bank.

Sir Peter Middleton, Barclays' deputy chairman, will be a member of the search group. Its other members will be Sir Derek Birkin, chairman of RTZ; Sir Martin Jacomb, chairman of Postel, and Sir Nigel Mobbs, chairman of Slough Estates.

Institutional investors who have expressed discontent about the bank's management welcomed the move, but some made clear they are concerned at the length of service of several non-executive directors. One shareholder was concerned that non-executives had backed Mr Buxton's appointment to both roles last summer.

Pernod-Ricard rises 15% despite reduction in sales

By Alice Rawsthorn in Paris

PERNOD-RICARD, one of France's leading drinks groups, increased net profits by 15 per cent to FFr1.13bn ($204m) last year from FFr983m in 1991.

Mr Patrick Ricard, chairman and chief executive, said that "despite the unfavourable economic environment and the decline in consumption", the group had continued to show growth chiefly due to its international expansion strategy.

The group saw turnover fall by 4.8 per cent to FFr14.5bn in 1992 from FFr15.22bn in 1991. This decline in sales was due to disposals, notably the sale last May of the bulk of the Société des Vins de France wine business. Mr Ricard said the underlying rate of sales growth was 4.7 per cent.

Pernod saw operating profits fall to FFr1.98m from FFr2.05bn in 1991, mainly because of disposals. However, it compensated with an increase in exceptional gains from FFr16m to FFr264m over the same period. The board has raised the dividend by 6 per cent to FFr8.5 for 1992.

The company, like other French concerns, was affected by the franc's strength following the September currency crisis. It estimated that exchange rate changes reduced sales by FFr291m and operating profits by FFr32m.

Last year was the first that Pernod received more income from its international operations than from its French business.

It continued its international growth last year by opening subsidiaries in Taiwan and South Korea and setting up joint ventures in Poland and Hungary. It is expanding its domestic activities, notably by securing the distribution contract for Pepsi-Cola in France.

Skanska plunges to SKr3.53bn deficit

By Christopher Brown-Humes in Stockholm

SKANSKA, Scandinavia's largest construction and property company, plunged to a SKr3.53bn ($457m) loss after financial items in 1992, due to huge property write-downs, high interest rates, and the impact of foreign currency speculation.

The worse-than-expected result, which compares with a SKr739m profit in 1991, led the company to cut its dividend to SKr1.60 per share from SKr3.25.

The two main reasons for the deficit were SKr4.3bn in property write-downs and one-off financial losses of SKr1.4bn. However, weaker market conditions for the group's main activities led to an 8 per cent slump in revenues to SKr31.9bn and to a 21 per cent fall in operating income to SKr2.47bn from SKr3.12bn.

The property write-downs, which compare with SKr1.15bn in 1991, were much bigger than envisaged at the eight-month stage, when the group said they would total SKr1.5 to SKr2bn. They reflect lower real estate values, both in Sweden and abroad.

Write-downs on the value of the group's Swedish real estate book totalled SKr1.9bn, while properties in London and Oslo were written down by more than SKr1.5bn. A further SKr600m in write-downs related to other foreign properties.

The group suffered an extraordinary SKr518m loss due to foreign currency deals which resulted in the dismissal of the head of its finance subsidiary, Skanska Kapitalforvaltning, last August.

However, because the portfolio was financed by short-term borrowing, the group incurred heavy financing costs when Swedish overnight interest rates shot up to 500 per cent last September. Realised losses in the portfolio, which has now been discontinued, plus financing costs totalled SKr872m.

Banca di Roma in L102.5bn profit

By Haig Simonian in Milan

BANCA DI ROMA, Italy's biggest bank in terms of branches, reported pre-tax profits of L102.5bn ($64.9m) last year. A direct comparison with 1991 is not possible as the bank represents the merger last August of the former Banco di Roma with Banco di Santo Spirito, itself an amalgam of the latter bank and the Cassa di Risparmio di Roma.

In spite of gross profits of L2,006bn – 9 per cent up on the 1991 figure for Banco di Roma and Banco di Santo Spirito combined, the dividend is being halved to L25 a share. Around 10 per cent of the bank's capital is floating.

Banca Commerciale Italiana, the state-controlled Italian bank which is to be privatised, suffered its second consecutive year of sharply-falling net profits with a 16.9 per cent drop to L263.8bn in 1992.

The reduction in earnings at parent bank level followed a 33 per cent slump in 1991. However, the dividend again remains unchanged at L200 for ordinary shares and L230 for savings stock.

BCI attributed its lower earnings to higher taxes and depreciation, write-offs on securities and heavier provisioning for loan losses. Similar factors are likely to push down earnings at most Italian banks this year.

Earnings at operating level showed an opposite tendency, with a 21.2 per cent jump in gross profits to L1,380bn, due partly to careful cost control matched by a slight decrease in staff numbers.

Continuing heavy investments in new branches, which increased the network by 60 units to 706 at the end of last year, contributed to a 10.9 per cent rise in deposits to L92,736bn. Loans rose by 13.3 per cent to L85,339bn. At group level, total assets last year went up to L131,000bn from L117,053bn in 1991.

Monte Dei Paschi di Siena, the Italian bank, is set to take majority control of Sindibank, the small Spanish financial institution in which it bought a minority holding in 1990.

Sindibank, controlled by the Fierro group, has 40 branches and is currently stock market-listed. Monte dei Paschi plans to raise its stake to 57 per cent from the current 33 per cent via a capital increase now under way.

That will be followed by a public tender offer for the remaining shares left floating, after which Sindibank will be delisted.

Earnings at Veba decline 20%

By Ariane Genillard in Düsseldorf

VEBA, the German industrial conglomerate, confirmed yesterday it would maintain its dividend at DM12 a share despite pre-tax profits dropping by 20 per cent to DM2.342bn ($1.435bn) in the year to December 31.

Net profits, after goodwill write-downs, fell by 14.7 per cent to DM1.043bn, down from DM1.222bn the year before. Net income after minority interest stood at DM906m, down from DM1.095bn in 1991.

"The current drop in earnings is not strong enough to lower our dividend. We are prepared to follow a smooth rather than strict correlation between earnings and the dividend," the company said.

Group sales for 1992 rose by 9.9 per cent to DM65.4bn. Two-thirds of the increase reflects the acquisition of the forwarding company, Schenker. Production costs rose by 11.2 per cent reflecting the consolidation and lower margins in the chemical divisions.

Earnings per share for the group went down by 9.7 cent to DM26.20 in 1992, down from DM29 the year before. Earnings are calculated using the so-called DVFA accounting formula, which adjusts results for extraordinary items and transfers to reserves. The drop in earnings per share does not include the restructuring costs of DM109m in the chemical divisions and DM246m in the power generating business.

Lasmo slashes dividend after loss

By Deborah Hargreaves in London

LASMO, the oil exploration and production company, slashed its dividend by more than expected and reported an after-tax loss of £385m ($546.7m) for last year.

The company's share price tumbled by 19p to 173p as it announced it had cut its dividend to 3.3p for last year from 8½p the year before.

Mr Joe Darby, who took over as chief executive at Lasmo in January said: "The dividend cut was a very hard decision, but we took a long look at the business and decided to reduce the dividend to a level that is sustainable."

The company announced it would sell its share of the Markham gas field in the North Sea. Analysts have estimated it might fetch £100m.

Mr Darby said he was looking at re-focusing Lasmo, strengthening its balance sheet and putting a drive on core exploration while divesting much of its peripheral interests. But some analysts suggested the company could be jeopardising future growth.

"You've got to differentiate between fat and muscle and Markham is more muscle than we've recently got rid of, but there is not huge upside potential there," said Mr Darby.

Lasmo made an operating profit before exceptional items of £112m compared with a loss of £9m the year before. But the company was hit hard by exceptional items of £426m. These included a writedown of £232m as it revalued its assets based on lower price expectations and more conservative reserve estimates for some of its oil projects against a flat oil price of $19 a barrel. Production is planned to rise by 40 per cent during the next five years to 220,000 barrels a day.

The company also changed its accounting procedures and the loss for 1991 was restated to £4m. Its debt-to-equity ratio rose to 111 per cent at the end of the year and once the benefit from disposals made last year feeds through, gearing will fall to 88 per cent.

Earnings per share before exceptional items were 4.6p and after exceptionals, the company incurred a loss of 52.2p a share compared with a loss of 2.8p in 1991.

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Esselte returns to the black

By Christopher Brown-Humes

ESSELTE, the Swedish office products group, has reported a SKr259m ($33m) profit after financial items for 1992, after the demerger of a loss-making unit and rationalisation measures helped it turn round a 1991 loss of SKr416m.

Despite this, the group is cutting its dividend to SKr2.50 per share from SKr5.25 because it says cash-flow has deteriorated and the market outlook is uncertain.

Group profit would have been SKr124m higher in 1992 without the impact of currency losses caused by the depreciation of the krona.

These, together with a worsening of market conditions towards the end of the year, prevented the group from meeting its June forecast of a SKr400m profit.

Turnover fell to SKr9.91bn from SKr15.6bn, partly because of the recession but mainly because of the demerger of the company's Scandinavian-based distribution business which now operates under the name of Scribona.

These activities contributed to the group's 1991 loss as did SKr416m in non-recurring costs caused by restructuring.

The group's main unit, Esselte Dymo, which markets office products in Europe, Australia and the Far East, saw sales fall to SKr3.69bn from SKr4.01bn although operating income improved to SKr292m from SKr190m.

Esselte expects this year's result to exceed the 1992 level, but only because currency movements should not have such a big impact. The group is not predicting an improvement in market conditions, and is particularly worried about the downturn in Germany.

Argentaria issues details of sell-off

By Tom Burns in Madrid

ARGENTARIA, the state-owned Spanish banking corporation, yesterday said that 60 per cent of the shares in the group which are to be privatised will be sold to domestic buyers.

Mr Francisco Luzon, the group's chairman, said this tranche would come from a total of between 15 and 25 per cent of the capital to be sold off.

No details on pricing were given, but the offering could raise up to Pta150bn ($1.29bn).

Argentaria's consolidated book value on December 31 1991 was Pta528bn, and its current market capitalisation is conservatively estimated at Pta600bn.

Mr Luzon said Spanish retail investors would receive preferential treatment in the offering and be able to acquire Argentaria shares for a minimum outlay of Pta25,000 ($215) and a maximum one of Pta8m.

He said he would like to place 20 per cent of the banking group but would raise the offering to 25 per cent, the maximum authorised by the government, if domestic demand proved strong enough. "I want 300,000 shareholders," he said.

The weighting towards the retail domestic market follows the pattern established by the state-controlled energy group Repsol.

Sharp deterioration at Norwegian shipowner

By Karen Fossli in Oslo

I. M. SKAUGEN, the shipowner that is listed on the Norwegian bourse, reported a sharp deterioration in 1992 pre-tax losses to NKr563m ($81m) from NKr183m.

The company said the weak performance reflected the completion of a major turnround of the group, which aims to reduce financial and operational risks and debt.

Gross freight revenue was halved last year, to NKr1.2bn from NKr2.4bn a year earlier, due to weak markets and a reduction in the fleet. Net financial items rose to NKr112m, from NKr87m.

I. M. Skaugen said debt had been reduced by about NKr1bn to NKr826m, of which NKr652m was long-term debt. It said the winding up of former activities was not yet complete, but outstanding assets and liabilities were relatively minor.

Administration costs were reduced by half to NKr271m.

I. M. Skaugen last year transformed itself from a diversified shipowner to an owner and operator of petrochemical gas carriers. It established Norwegian Gas Carriers to cover this activity. It forecast continued weakness in the petrochemical gas carrier market in 1993, mainly due to profitability problems in the west European petrochemicals industry.

Finnish insurer stays in the red for third year

HEAVY CLAIMS from foreign and credit insurance business kept Finnish insurer Pohjola in the red for the third consecutive year in 1992, although its operating loss narrowed to FM525m ($89m) from FM588m in 1991, writes Christopher Brown-Humes.

The company relied on an improved investment performance, where income rose to FM508m from FM379m, to help offset a deeper underwriting loss of FM307m, compared with FM190m. Premiums fell 5 per cent to FM3.24bn, following a 4 per cent decline in domestic premiums to FM2.84bn, and a 12 per cent drop in foreign premiums to FM407m.

INTERNATIONAL COMPANIES AND FINANCE

Grim scenario for Crédit Lyonnais

Heavy provisions could push bank into the red, says Alice Rawsthorn

ANALYSTS are bracing themselves for gloomy figures next Monday when Crédit Lyonnais, one of Europe's biggest banks and France's most prominent state-controlled companies, publishes its 1992 results.

Mr Jean-Yves Habarer, Crédit Lyonnais' controversial chairman, has warned that 1992 was the group's worst year for two decades. Given that it suffered a loss of FFr177m in 1974, the bank may have fallen back into the red last year.

Crédit Lyonnais barely broke even in the first half of last year after provisions of FFr6.3bn ($1.1bn), and Mr Haberer has warned that provisions will be even higher in the second half.

This grim scenario could not have come at a worse time. First, it could jeopardise Crédit Lyonnais' hopes of being privatised. It also poses a threat to Mr Haberer, who was appointed by the socialists in 1988 and risks losing his job if, as expected, the right wins power.

Mr Haberer has pursued an aggressive policy in terms of loans and international expansion in his five years at Crédit Lyonnais.

As a result, it has been much more vulnerable than its fellow French banks to the economic slowdown. Crédit Lyonnais is not only heavily exposed to the weakest areas of the French economy – small companies and commercial property – but also to a string of corporate catastrophes, including $215m to Robert Maxwell's media empire and $350m to the Olympia & York property group.

Jean-Yves Haberer: chairman could lose his job if right wins poll

The most tortuous saga has been its involvement with the bid by Mr Giancarlo Parretti, the controversial Italian financier, for MGM, the Hollywood movie studio. Crédit Lyonnais has been left with a stricken film business, a string of lawsuits and persistent speculation that its final exposure will be higher than its official estimate of $900m.

These "big hits" have been largely responsible for the steep increase in Crédit Lyonnais' provisions. The average level of provisions as a percentage of average loans has trebled in the past three years, to 1.6 per cent on an annualised basis for the first half of 1992, against an average of 1 per cent for the other big three French commercial banks.

Some aspects of Mr Haberer's strategy have worked, however. Crédit Lyonnais' French banking network is still robust, mainly because of prudent cost-cutting. Its international expansion has also been successful, particularly in Spain and Italy. The group continued its growth last year by taking control of BfG Bank in Germany.

"There is no cause for concern on the domestic front," says Mr Chris Davis, European banking analyst at BZW Securities. "Crédit Lyonnais has held its own in a difficult market. It has also done well with its European network."

The critical question is how much longer will Crédit Lyonnais' results be clouded by write-offs on its loan portfolio? The answer is complicated by its refusal to release details about provisions, or even to specify whether it has finished writing down its exposure to "big hits".

"It is very difficult to tell what is going on," says Ms Sheila Garrard, banking analyst at Shearson Lehmann in London. "But the French economy is still weak and it will take time for small businesses and commercial property to recover. We're likely to have more high provisions in 1993."

In theory, Crédit Lyonnais, alongside Banque Nationale de Paris, the other big state-controlled bank, should be one of the first candidates for privatisation by the new government. But the conservatives, were forced to postpone plans to float the bank in their last administration after the 1987 stock market crash, and will undoubtedly have to delay the sale.

"Crédit Lyonnais is not sellable in the near-term," says Ms Susan Sternglass, European banking analyst at Goldman Sachs. "It will have to wait until it can show that its loan book is in good shape and that it has real prospects for profits recovery. That could happen in 1994 if there are no more major corporate losses."

The other big issue is whether the conservatives will allow Mr Haberer to lead Crédit Lyonnais into the private sector. The arrival of a new administration is traditionally followed by the weeding out of old appointees.

Mr Haberer is undoubtedly vulnerable. He is seen as a socialist sympathiser, although he worked for conservative ministers in the 1960s and 1970s. Moreover, if the new government ousts him, Crédit Lyonnais' 1992 results will probably provide a suitable excuse.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.03.93: Pool purchase price £/MWh	Final Prices for Trading on 25.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.01	19.57	19.57
0100	21.70	23.77	25.35
0130	29.18	27.05	28.75
0200	29.18	27.05	28.70
0230	21.10	24.90	26.43
0300	18.11	24.90	26.43
0330	18.08	24.90	26.44
0400	17.61	22.74	24.28
0430	17.56	21.27	22.70
0500	17.56	21.27	22.71
0530	17.61	21.33	22.79
0600	17.59	18.23	18.23
0630	18.01	22.49	24.00
0700	18.30	22.87	24.39
0730	21.34	22.87	24.39
0800	22.05	26.45	28.11
0830	22.87	24.43	25.99
0900	25.82	26.45	28.08
0930	28.52	26.08	27.88
1000	28.52	26.45	28.07
1030	28.52	26.45	28.08
1100	28.52	26.45	28.09
1130	28.52	26.45	28.08
1200	28.52	26.09	27.89
1230	25.82	26.45	28.08
1300	25.82	24.83	26.39
1330	22.87	24.82	26.39
1400	22.87	24.72	26.29
1430	18.60	24.43	25.98
1500	18.60	19.67	19.87
1530	18.62	20.00	20.00
1600	18.62	20.00	20.00
1630	22.87	23.20	24.69
1700	26.39	24.83	26.35
1730	26.39	25.79	27.34
1800	26.39	27.26	28.85
1830	19.67	27.28	28.85
1900	28.13	27.26	28.80
1930	28.13	27.19	28.73
2000	28.13	27.05	28.61
2030	27.70	23.20	24.65
2100	27.70	24.43	25.91
2130	27.70	23.20	24.66
2200	27.70	23.20	24.67
2230	18.13	23.20	24.68
2300	18.00	18.63	18.63
2330	17.55	18.23	18.23
2400	17.55	18.78	18.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.50/MWh becomes 1.850p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. X is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

NGC Settlements Limited

Gerstner emerges as a leading candidate for top job at IBM

By Louise Kehoe in San Francisco and Nikki Tait in New York

MR LOUIS Gerstner, chairman of RJR Nabisco, the US food and tobacco company, has emerged as a leading candidate for the top job at International Business Machines amid rising speculation that IBM could shortly name a new chief executive officer.

RJR Nabisco declined to comment on reports of Mr Gerstner's impending departure yesterday. IBM also declined to comment on reports that have been circulating that Mr Gerstner has had several meetings with IBM's selection committee of non-executive directors.

The committee was formed in January when Mr John Akers, IBM chairman and chief executive, said he would step aside from the chief executive post following IBM's announcement of $4.9bn losses for 1992, the company's second consecutive annual loss.

As soon as IBM makes a final selection and reaches contractual agreements with a candidate, it will, under US securities laws, be required to make an immediate announcement. The lack of such an announcement suggests no final decision has been made.

Other potential candidates, including Mr John Sculley of Apple Computer, Mr Larry Bossidy of Allied-Signal and Mr George Fisher of Motorola, have issued statements saying they would not take the job.

The selection of Mr Gerstner would suggest that IBM's board has decided the company needs stronger financial controls rather than new technology leadership, since Mr Gerstner has no experience in the computer industry.

He was named as chief executive of RJR Nabisco in March 1989, shortly after the record $25bn leveraged buyout of the food and tobacco giant.

Then 47, he moved to the company from American Express, which he had joined in 1978 as president of the card division, and risen to become chairman of the executive committee of the parent company in 1983, and then president in 1985.

Although Mr Gerstner has no direct prior ties to IBM, his brother, Mr Richard Gerstner, isa former IBM senior executive. He retired recently for health reasons.

Mr Richard Gerstner was succeeded in his last post at IBM as head of the computer company's personal systems division by Mr James Cannavino. Mr Cannavino is now seen as e likely choice for president of IBM, succeeding Mr Jack Kuehler.

Isosceles write-off helps push A&P to $189m loss

By Nikki Tait

GREAT Atlantic & Pacific Tea Company, the US supermarket operator in which Germany's Tengelmann group holds a majority stake, reported a $189.5m loss after tax in the year to February 27.

The loss contrasts with a $70.7m profit in the previous 12 months, and comes on sales of $10.5bn, down from $11.6bn in 1991-92.

Much of the deficit is the result of a $151.2m write-off of A&P's investment in Isosceles, the UK company which bought out Gateway in a leveraged deal, and a $90.1m charge related to accounting changes.

However, even at the operating level, A&P posted sharply lower profits – down from $203.9m in 1991-92, to $44.3m last year.

In the final quarter of the year, A&P said it saw "a reversal of the company's previous sales decline, particularly in Canada".

It added that it had begun "its new financial year with an improving sales and bottom-line performance".

Nevertheless, the company still reported a $40.1m loss after tax in the final three months, compared with a $16.1m profit in the same period a year earlier.

The operating profit fell to $18.9m from $46.4m.

Final-quarter sales were $2.38bn, compared with $2.74bn.

● Shawmut National, the US bank, is to acquire New Dartmouth Bank of Manchester, New Hampshire, for about $143m in an exchange of stock, agencies report.

The bank said that the deal was expected to increase its earnings per share in the fourth quarter.

American Express downgraded by S&P

By Alan Friedman in New York

STANDARD & POOR'S, the US credit rating agency, has downgraded its rating on American Express, the travel and financial services group.

The American Express Credit Corporation was downgraded from AA- to A-Plus and commercial paper from A-1-Plus to A-1 and preferred stock from A-Plus to A.

S&P said the downgrades reflected lower profitability at the core travel-related services (TRS) division and the company's continuing card member attrition rate. TRS, according to S&P, faced increasing competitive pressure, which is expected to continue to affect net earnings.

S&P also pointed to the group's plan to sell a large shareholding in its First Data Corporation subsidiary as one way of offsetting write-offs, such as a $342m charge last year related to the restructuring of the TRS division.

The First Data offer began yesterday. But S&P noted "there may be fewer such non-recurring gains available in the future to offset unforeseen weaknesses."

American Express said the ratings changes would have "an insignificant impact" on its funding costs.

Last year, losses at Shearson Lehman Brothers, the investment banking and brokerage subsidiary, helped cause a 65.4 per cent slump in fourth-quarter 1992 net income at American Express, to $82m.

American Express agreed earlier this month to sell the Shearson brokerage business to Primerica, the financial services group headed by Mr Sandy Weill.

S&P yesterday affirmed its A-rating of Shearson's senior debt.

Turnover drops 6% at Siemens Nixdorf

By David Waller in Frankfurt

TURNOVER at Siemens Nixdorf Informationssysteme, the lossmaking German computer company owned by Siemens, dropped by 6 per cent to DM4.5bn ($2.76bn) in the first five months of its financial year.

Mr Hans-Dieter Wiedig, chief executive, yesterday blamed troubled conditions in the company's foreign markets for the drop, together with the upwards valuation of the D-Mark, which accounted for one-third of the fall in turnover in the five months to the end of February.

The sales downturn reflected poor conditions in Italy, Spain and France.

In the UK, however, order intake increased by 15 per cent in the five months. Sales in Germany had remained virtually steady.

Mr Wiedig said the number of employees had fallen by 1,700 since the beginning of the financial year and was set to drop by a further 3,200, to around 44,000 by the end of the year.

He did not comment directly yesterday on the outlook for the company's profit and loss account.

In November last year, Siemens Nixdorf said it expected a further reduction in losses in 1992-93, after reporting a net deficit of DM513m in the year to September, down by 34 per cent on 1990-91.

Turnover for last year rose by 7 per cent to DM13bn.

Jardine Matheson rises 17% as HK performs strongly

By Simon Davies in Hong Kong

JARDINE Matheson, one of Hong Kong's oldest trading conglomerates, yesterday reported a 17 per cent increase in net profits to US$316.8m for the 1992 fiscal year, up from $270.8m in 1991.

The Hong Kong operations performed strongly, particularly in car sales and financial services, but group earnings were pulled down by the performance of its Japanese businesses.

Earnings from north-east Asia fell to $25.1m from $61.5m, as a result of falling sales of wines and spirits in Japan and the impact of the depressed Tokyo stock market on Jardine Fleming, the group's 50 per cent owned investment concern.

Jardine was recently the target of a denunciation by China, which claimed the former opium trading company was a "bad element in Hong Kong's business community".

Mr Nigel Rich, managing director, said Jardine Matheson would continue to expand its businesses both in Hong Kong and China, pointing out that the "group has traded in China for more than 50 years, and has been through difficult times before". Jardine Matheson is planning to expand its retailing and distributioo businesses across the border, but so far the contribution from China is minimal.

Net profits were lifted by a $21.6m fall in tax as a result of previous over-provisioning. Pre-tax profits from Jardine Pacific, which includes the group's trading, distribution and construction businesses, increased by $31m to $228.7m, helped by a 156 per cent jump in profits from motor trading subsidiary Jardine International Motors.

Nigel Rich: plans further expansion in China

Jardine Fleming's earnings were hit by a sharp fall in profits from UK-listed Jardine Insurance Brokers. Jardine Strategic, the 52 per cent owned investment holding company which controls Dairy Farm, Hong Kong Land and Mandarin Oriental, contributed $367.1m, up from $333.8m in 1991.

Jardine Matheson will pay a final dividend of 15 cents, making a full-year payout of 18.7 cents, up 14 per cent from 1991.

New World advances 48%

By Simon Davies

NEW World Development, the Hong property development and hotels group controlled by Mr Cheng Yu-tung, yesterday reported a 48 per cent increase in net profit to HK$1.39bn (US$181m) for the six months to December 1992, up from HK$939m in the previous year.

The bulk of earnings growth came from property sales, which contributed HK$951m to operating profit, up from HK$645m in 1991. Rental income showed a slight decline, due to the sale of several floors of the Convention and Exhibition Centre, in Wanchai. However, average occupancy stood at 95 per cent.

The company declared an interim dividend of 25 cents per share, up from 21 cents in 1991.

NEWS IN BRIEF

JVC to sell stake in video unit to UK group

VICTOR Company of Japan (JVC), the Japanese consumer electronics group, has agreed to sell half of its 50 per cent stake in CIC Victor Video to CIC-Video of the UK in April, Reuter reports from Tokyo.

The sale gives CIC-Video 75 per cent of CIC-Victor Video, a joint venture of MCA and Paramount Communications, which markets video tapes in Japan of films made by the two US film studios.

■ DBS Land, a Singapore property group, posted a 14 per cent rise in net profits to S$58.2m (US$36.4m) for 1992 from S$50.9m the year before, AP-DJ reports from Singapore.

Turnover advanced 17 per cent to S$309.7m from S$265.5m. Earnings per share rose 14 per cent to 9 cents from 7.9 cents and the dividend is maintained at 5 cents a share.

■ Nissan Chemical Industries and Sumitomo Chemical, two Japanese chemicals groups, are to set up a joint venture with Rhône-Poulenc, a French chemicals group, Reuter reports from Tokyo.

The venture, yet to be named, will be launched in Lyons to develop and sell agricultural chemicals in France. It will be 60 per cent owned by Sumitomo, 30 per cent by Nissan Chemical and 10 per cent by Rhône-Poulenc and aims at sales of FFr180m ($32.1m) a year.

■ *Singapore Aerospace*, the aircraft maintenance group, unveiled net profits of S$24m ($15m) for 1992, up 13 per cent on the previous year's S$21.2m, AP-DJ reports from Singapore.

The directors expect profits to advance at a similar rate in 1993. Sales rose 13 per cent in 1992 to S$421.3m from S$373.8m.

The dividend is being maintained at 2.5 cents a share on earnings per share 13 per cent ahead at 8 cents against 7.1 cents.

China's regulators face an unenviable task

Tony Walker and Diedre Nickerson look at Beijing's attempts to impose market order

CHINA'S unruly and virtually unregulated stock markets must present an alarming picture when viewed from Beijing, where the heavy hand of officialdom is perhaps most visible.

Indeed, a member of the leadership was quoted recently in an official publication as describing China's stock markets in the southern economic region of Shenzhen and in Shanghai as among the world's most risky. He warned that unless stock market fever was restrained it would "doubtlessly impose an increasingly negative impact on the country's economic reform and economic development".

Foreign lawyers, bankers and representatives of international institutions such as the World Bank and International Monetary Fund have been urging the promulgation of a new securities law and regulations governing the operations of the stock markets.

Mr Jerome Cohen, an authority on the Chinese legal system, said that while such regulations were indispensable to the creation of a successful capital market, of even more importance was the ability of supervisory bodies to transform "legislative language into living reality".

This, he observed, would not be an easy task, and would require greatly strengthened legal institutions, including not only the courts, the procuracy and legal profession, but also relevant government supervisory agencies.

In contrast, attitudes among Chinese officials, charged with advising the central authorities on a new securities law and other regulations, seem, in some cases, remarkably insouciant about the dangers of a South Sea Bubble crash in China's fledgling markets.

Trading volume in A shares, for local Chinese, and B shares denominated in US dollars, for foreigners on the Shanghai and Shenzen exchanges, exceeded Yn100bn ($17.2bn), last year, compared with just Yn10bn in 1991. This is extraordinary growth by any standards: 50 companies were listed at the end of the year, against 15 at the beginning.

Last October, the State Council, or cabinet, announced the establishment of a Securities Policy Committee (SPC), involving representatives of 14 entities, including the People's Bank, China's central bank, and a Securities Regulatory Commission (SRC) to advise on securities-related matters.

These bodies were charged with strengthening macro-control of the markets. But doubts persist as to the likely effectiveness of the national SRC, given difficulties of co-ordination among the multitude of bureaucratic institutions involved in the regulatory process and certain resistance from increasingly independent regional authorities.

The SPC and SRC have been advising a special securities law drafting committee which recently circulated a 131-article proposed law, covering the gamut of equity securities issues from insider trading to the operations of futures markets and the establishment of securities companies and investment funds.

Among criticisms of the draft is that while it includes penal provisions, it is weak on arrangements for enforcement – a responsibility of the SRC. The law is restricted to equities. It is unclear when national regulations dealing with debt securities might emerge.

SRC officials say that stock exchange regulations should be published within a few months and the securities law by later this year. However, the pattern has been for all Chinese commercial laws and regulations to encounter repeated delays as various elements of the sprawling bureaucracy chew over the details.

One of the SRC's most important tasks will be creating regulations, including rules of disclosure, for initial public offerings. These regulations will apply to Chinese companies seeking a stock market listing outside China. This is an especially vexed issue in the Chinese leadership at present because of the Bermuda-registered Brilliance, a Chinese-foreign joint venture, which was floated on the New York stock exchange last October - the first such example of a Chinese company listing offshore.

Mr Zhu Rongji, China's vice-premier in charge of the economy, has decreed that in future any new listings must receive his approval and be restricted, for the time being, to the Hong Kong exchange.

Some Chinese companies, including Shanghai Petrochemical and Qingdao Brewery, are working towards Hong Kong listings. But foreign lawyers and accountants familiar with these cases say they are proving inordinately complex because of difficulties in valuing assets, establishing the full extent of liabilities and any one of a dozen or more requirements for the issuing of prospectuses to comply with international standards.

Another of the SRC's responsibilities will be to regulate over-the-counter (OTC) trading under the Securities Automatic Quotation System, a nationally-based computer-linked arrangement, that is some way yet from being up-and-running. In the meantime, OTC trading is a fast-spreading phenomenon throughout China with the coastal city of Tianjin a particular focus.

Control of this form of "off-the-board" equities trading may well provide the SRC with some of its biggest headaches.

OTC trading, which was designed as a means of state companies rewarding employees with bonuses in the form of stock, has spiralled to the point where business transacted in Tianjin, some of it in the street where marketmakers scrawl prices on blackboards, is believed to have exceeded trading on the Shenzen and Shanghai exchanges combined.

The estimated figure for shares traded on the OTC or secondary market for China was in the order of Yn170bn but this almost certainly understates the volume.

Not surprisingly, given the speculative frenzy that prevails in a China starved for so long of real investment opportunities, the clamour from regional capitals for their own stock markets has been almost deafening. China's leaders have rejected these demands, and proposed instead that provinces should select a maximum of three local companies for listing on the Shenzen and Shanghai exchanges.

China's securities regulators facing the fairly unenviable task of trying to impose order and encourage responsible self-regulation, are certain to have been reminded of the dictum of supreme Chinese leader, Mr Deng Xiaoping. "Cross the river by feeling the stones," he once observed.

The problems for the SRC and its associate organisations is that the river is flowing swiftly and the stones on the bottom are by no means secure.

Foodcorp improves in first half

By Philip Gawith in Johannesburg

FOODCORP, the food processing subsidiary of Gencor's manufacturing arm, Malbak, overcame difficult trading conditions to post real earnings growth in the six months to the end of February.

Foodcorp, one of three leading food groups in South Africa, was formed last April when Malbak reorganised its food interests by merging Fedfood and Kanhym.

Comparing Foodcorp's results with the combined Fedfood-Kanhym performance in the same period last year, turnover rose by 8 per cent to R1.3bn ($406m) from R1.21bn. Lower finance costs offset a decline in operating income, so pre-tax profits were unchanged at R72m. A lower tax bill helped lift attributable profits to R46m from R40m.

Earnings per share rose by 14 per cent to 95 cents from 83 cents, but the dividend was cut to 23 cents from 32.4 cents per share in line with a new policy that dividends should in future be paid on a 40:60 interim to final ratio.

Mr Dirk Jacobs, chief executive, said the first half had been characterised by weak consumer demand resulting in lower volumes and tighter margins as selling prices could not be increased to compensate for higher input costs. Rationalisation benefits and productivity improvements had allowed margins to be maintained.

Mr Jacobs said the market for the group's products was likely to remain depressed for the rest of the year.

However, he forecast that the rate of earnings growth achieved in the first half would be maintained for the full year.

Shake-up at Australian mutual life association

NATIONAL Mutual Life Association of Australasia is to restructure its Australasian insurance operations to cut costs and improve service, Reuter reports from Melbourne.

National Mutual, Australia's second-largest life office, said it would reduce duplication, provide a flatter management structure, and reduce the size of the head office.

Mr Geoff Tomlinson, managing director, said the number of redundancies could not be predicted. The unlisted company cut staff by 10 per cent to 6,600 people in the year to September 30 1992.

Mr Tomlinson said National Mutual aimed to make each of its profit centres as autonomous as possible and commit each to meeting a reasonable profit target.

He said Australasian insurance would be split into five profit centres and four support units.

National Mutual lost A$46.6m (US$31.7m) in 1991-92, the first year it published audited profit figures.

INTERNATIONAL CAPITAL MARKETS

US Treasuries slip after steep rise for durable goods orders

By Karen Zagor in New York and Sara Webb in London

US TREASURY prices edged slightly lower across the board yesterday morning following reports that US durable goods were stronger than expected.

At mid-session, the Treasury's bellwether 30-year bond was ⅛ lower at 104⅜, yielding 6.776 per cent. At the short end of the yield curve, the two-year note was off ⅛ to yield 3.874 per cent.

The market received a morning jolt when durable goods for February came in 2.2 per cent higher. Economists had predicted a more moderate gain of 0.6 per cent. But the unexpectedly sharp increase largely reflecting a rise in orders for transportation equipment. Stripping out a 10.9 per cent rise in transportation orders, durable goods orders fell 0.7 per cent in the month.

GOVERNMENT BONDS

The Federal Reserve refrained from operating in the open market when Fed Funds were trading at 2⅞ per cent, slightly below the Fed's perceived target of 3 per cent for the rate. The lack of intervention was widely expected and did not indicate a change in monetary policy.

■ EUROPEAN government bond markets generally ended lower on the day as various political and currency concerns hit the Belgian, Italian and Spanish markets.

Belgian government bond prices were marked down sharply at the opening by dealers, following the government's offer to resign on Tuesday night over its budget crisis. Short-term interest rates rose as the central bank increased its key rates to protect the Belgian currency. The spread of Belgian bonds over Germany increased from around 72 basis points to 85 basis points yesterday.

Elsewhere in Europe, Italian bond prices fell back on the combination of news of further scandals and supply worries. The Liffe fixed-rate bond (BTP) contract settled 70 basis points lower at 95.56.

■ GERMAN government bonds ended little changed on the day as rumours of a high inflation figure for one of the key German states helped wipe out earlier gains.

Dealers said the market showed little reaction to the Bundesbank's repo yesterday as the lowest rate at which it offered securities repurchase funds was unchanged at 8.25 per cent. The Bundesbank accepted bids for DM65.4bn at this week's tender for 14-day securities repurchase funds, representing a net injection of DM10.2bn, and allocating funds mostly at 8.25 to 8.27 per cent.

Bund prices declined on rumours that the state of Hesse would this week report a higher-than-expected inflation figure, dampening hopes of a further easing in interest rates by the Bundesbank. The Liffe bund futures contract opened at 95.22, rising to a high of 95.41 before falling back to 95.28 by the end of the day.

■ THE UK government bond market witnessed further declines among the very long-dated stocks as investors switched into shorter-dated issues. Gilt-edged issues with maturities of up to 20 years generally ended the day firmer with the five- and 10-year stocks gaining $\frac{1}{16}$-⅛.

At the long end of the market, the 7¾ per cent stock due 2012/15 fell ⅜ to end at 94¾, with dealers pointing out that investors were keen to switch to higher-yielding issues.

■ JAPANESE government bonds ended mixed, with cash bonds slightly higher on the day, while the June futures contract closed lower.

The yield on the benchmark No 145 issue moved from its opening of 4.07 per cent, corresponding to the low price of the day, and closed at 4.06 per cent. The futures contract opened at 109.89 and ended the day at 109.80, with the decline attributed to heavy selling by dealers.

● THE City of London saw a net fall in the number of foreign securities houses in 1992 for the first time in more than 30 years.

According to a survey by Noel Alexander, the banking consultancy, 22 foreign securities houses left London last year, while 18 houses set up offices in the City. The number of foreign houses present fell from 169 to 165 last year. Noel Alexander attributed the decline to the international downturn in the securities business and global recession.

FT FIXED INTEREST INDICES

	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18	Year ago	High *	Low *
Govt.Secs.(UK)	98.60	98.98	98.85	97.56	97.73	88.14	98.04	85.11
Fixed Interest	112.27	112.84	112.94	113.29	112.81	99.35	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 113.83 (9/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 23	Mar 22	Mar 19	Mar 18	Mar 17
Gilt Edged Bargains	129.4	144.8	120.9	117.7	126.8
5-Day average	127.9	124.2	120.9	121.1	123.7

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	115.4525	-0.077	7.69	7.70	8.24
BELGIUM		9.000	03/03	109.8500	-1.425	7.58	7.31	7.56
CANADA *		7.250	06/03	99.0000	+0.400	7.39	7.69	7.58
DENMARK		8.000	05/03	98.8500	-0.200	8.18	8.18	8.51
FRANCE	BTAN	8.000	05/98	103.8804	-0.258	7.11	7.11	7.87
	OAT	8.500	04/03	107.8000	-0.400	7.37	7.30	7.66
GERMANY		7.125	12/02	102.9450	+0.018	6.69	6.69	6.78
ITALY		11.500	03/03	93.8550	-0.655	12.991†	12.77	12.93
JAPAN	No 119	4.800	06/99	103.8671	-0.131	4.03	3.93	3.87
	No 145	5.500	03/02	108.2694	-0.074	4.09	4.04	3.90
NETHERLANDS		7.000	02/03	102.1600	-0.060	6.68	6.56	6.72
SPAIN		10.300	06/02	92.4770	-0.677	11.65	11.34	11.50
UK GILTS		7.250	03/98	102-03	-2/32	6.75	6.57	6.66
		8.000	06/03	52-01	-2/32	7.70	7.62	7.80
		9.000	10/08	106-06	-2/32	8.28	8.17	8.31
US TREASURY *		6.250	02/03	102-17	+2/32	5.90	6.06	6.16
		7.125	02/23	104-14	+3/32	6.77	6.88	7.04
ECU (French Govt)		8.000	04/03	102.1300	-0.770	7.68	7.47	7.75

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical/DataATLAS Price Sources

Two senior analysts go in Baring Japan move

By Emiko Terazono in Tokyo

BARING Securities Japan, Tokyo arm of the UK broker, has parted with two senior analysts in a reorganisation of its research department, writes Emiko Terazono from Tokyo.

The move follows the resignation earlier this month of Mr Christopher Heath as chairman of Baring Securities after a disagreement over business strategy with its parent company, the Barings banking and financial group.

Baring's Tokyo operation was one of the top performers among foreign houses in Japan. But its dependence on client commissions in the weak Tokyo stock market since 1990 has eroded profits. Almost 40 per cent of Baring Securities' revenues are still linked to Japanese trading.

The number of staff at Baring's Tokyo operations has fallen from 240 in 1989 to 207, while the research team has declined from 32 to 25.

Mr Henry Antsey, an official at Baring's in Tokyo, denied the Tokyo branch was restructuring, but said the company was trying to improve its research product, and the latest losses resulted from differences in management styles.

But Baring's new strategy of concentrating on emerging markets – such as Singapore and Korea – has fueled speculation that the company may be shifting away from Tokyo.

● Norinchukin Bank, the central body for agricultural financial institutions, plans to apply to set up a subsidiary to deal in securities once Japan's financial reforms take effect on April 1, Reuter reports from Tokyo.

The bank will capitalise the offshoot at between Y15bn ($127m) and Y20bn. It will have a staff of about 40, which will double within a year.

Industrial Bank of Japan, Long-Term Credit Bank of Japan and Sumitomo Trust and Banking have already announced plans to apply to the finance ministry to set up securities arms.

Continental buyers warm to UK insurer's £120m convertible

By Antonia Sharpe

LEGAL and General, the UK life and general insurance group, was one of several borrowers to tap the Eurosterling sector of the international bond market yesterday, and its £120m convertible Eurobond issue due 2008 was well received by the market.

Tax changes to the treatment of share dividends announced in last week's UK Budget were expected at the time to add to the attraction of convertible bonds, particularly to UK pension funds, which are adversely affected by the changes. However, although there was said to be some switching by UK investors out of Legal and General's equity and into the bonds, most of the paper was eventually sold to continental European buyers.

INTERNATIONAL BONDS

Demand for convertible paper, especially from continental Europe, enabled the issuer to achieve a 6¾ per cent semi-annual coupon, at the lower end of the indicated range, and a conversion premium of 17.85 per cent, at the higher end of the indicated range. The subordinated issue, callable after five years, represents 4 per cent of Legal and General's share capital.

An official at the lead manager, CSFB, said that about 80 per cent of the issue had been placed on the continent, with Swiss investors showing the strongest interest. The bonds, which were priced at par at issue, were trading at 100⅝ bid in the afternoon. Other syndicate managers involved in the deal reported some demand from UK pension funds.

Mr Anthony Hobson, the finance director of Legal and General, said that the issue was a fixed tranche and that it would not be increased. The proceeds would serve to extend the group's general resources and would serve to extend the maturity profile of its debt. He added that the group did not have any plans to tap the international bond market again this year.

The Bank of Dutch Municipalities, the public-sector Dutch financing agency, launched £150m worth of seven-year Eurobonds priced to yield 30 basis points over the 9 per cent UK government bond due 2000. An official at the lead manager, BZW, said that this marked the first Eurosterling issue by a Dutch state-owned entity.

He added that the bonds were re-offered below par, at 98.567, in order to ensure liquidity in the bonds in the event of a further fall in interest rates. The proceeds of the issue were said to have been swapped into fixed-rate guilders. When the bonds were freed to trade, the spread was virtually unchanged.

The Eurosterling sector also saw a £104.5m two-tranche issue of senior mortgage-backed floating rate notes from Leo 1, a vehicle set up to securitise mortgages originated by UCB Group, a subsidiary of Compagnie Bancaire of France. An official at the lead manager, JP Morgan, said this added to an original issue of £158m in May 1992.

He added that the original issue had been priced at a slight discount to par but that the price of those notes had risen since then due to the lack of paper. Both tranches of yesterday's issue were priced at a slight premium to par, and were bid at their launch level in the afternoon.

JP Morgan was also active in the Canadian dollar sector where it arranged a C$300m 10-year Eurobond issue for the European Investment Bank. The bonds were priced to yield 30 basis points over the 7¾ per cent Canadian government bond due 2003. The bonds were not freed to trade by the close of business.

Meanwhile, investor demand for the warrants linked to Roche Holdings's $1bn seven-year warrant Eurobond issue, launched on Monday, enabled the borrower to raise an additional $200m through the issue of a further 5m warrants.

An official at the lead manager, Swiss Bank Corporation, said the new tranche doubled the number of warrants in issue. The warrants, which are exercisable into Roche Genusscheine (non-voting profit-sharing certificates), were quoted at SFr67.80 bid yesterday, up from SFr65.30 bid at the launch.

● Colombia's mines and energy minister, Mr Guido Nule Amin, said yesterday that the state oil company, Ecopetrol, planned to issue Eurobonds for the first time to finance its operations, Reuter reports from Bogota.

He did not disclose the size or the timing of the issue. Colombia is the only big Latin American economy not to have yet tapped the Eurobond market, but it is planning a sovereign issue in April.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Genfinance Luxembourg‡♦	150	(a)	100	(a)	-	Merrill Lynch Intl.
Banco do Brasil	100	10.5	99.605	Apr.1998	1.25/0.75	CSFB
Sam Yang Co.(b)§	50	4	100	Apr.1998	2.25/1	CSFB
Banco Bozano Simonsen	40	10.375	99.7313	Oct.1995	1.25/0.75	Merrill Lynch Intl.
Jindo America(c)§	30	(c)	100	Apr.1998	1.2	Daewoo Securities(Europe)
YEN						
Suzuki Motor Corp.	20bn	4.75	101.55	Jul.1999	1.875/1.5	Nikko Europe
Suzuki Motor Corp.	15bn	4.35	101.5	Jul.1997	1.625/1.475	Daiwa Europe
Hafer Financial(d)	15bn	(d)	100.704	Mar.1997	1.625	Goldman Sachs Intl.
STERLING						
Bank for Dutch Municipalities	150	7.375	100.142	Apr.2000	1.875/1.625	Barclays de Zoete Wedd
Legal and General Group(e)§	120	6.75	100	Apr.2008	2.5/1.5	CSFB
Leo 1(f)‡	54.9	(f)	100.03	Jul.2035	0.125/0.0625	JP Morgan Securities
Leo 1(g)‡	49.6	(g)	100.25	Jul.2035	0.25/0.125	JP Morgan Securities
CANADIAN DOLLARS						
European Investment Bank	300	7.75	101.135	Apr.2003	2/1.85	JP Morgan Securities
ITALIAN LIRA						
International Finance Corp.	200bn	10.65	101.35	Apr.1999	1.75/1.125	Banca di Roma
SWISS FRANCS						
Nippon Meat Packers(h)§	300	1	100	Apr.1997	-	Credit Suisse

Final terms and non-callable unless stated. ♦Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. ♦Variable rate note. [illegible] the outstanding $100m. Initial coupon pays 6-month Libor [illegible], the alternative margin is + 1.25% until Sep.1996, + [illegible] from Sep.1994. b) Denom.: $25,000 + 4 warrants [illegible] share. c) Coupon pays 6-month Libor + 1.3%. Puttable [illegible] 558p. Callable at par from 21/5/98.0 A1 tranche. [illegible] Callable on interest payment dates from Jul.1995 at par. [illegible] + 0.625% until Jan.1998 and + 1.25% thereafter. [illegible] 4.15 years. h) Final terms fixed on 29/3/93. Callable on [illegible]

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:15 pm on March 24

Issued	Bid	Offer	Chg. on day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	67	10
Other Fixed Interest	2	10	3
Commercial, Industrial	250	318	844
Financial & Property	96	154	546
Oil & Gas	12	23	49
Plantations	0	0	6
Mines	14	25	97
Others	35	43	42
Totals	409	638	1,599

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	½	½	Anglo Utd Warrants	½		-	-	-	-
180	F.P.	-	186	152	David Lloyd Leis	184	-4	01.95	4.8	1.4	17.8
100	F.P.	-	104	98	For & Col US Smllr Co's	103	+½	-	-	-	-
-	F.P.	-	44	30	Do. Warrants	41		-	-	-	-
51	F.P.	-	84	52	Intl. Food Machinery	70		-	-	-	-
§215	F.P.	-	280	282	Motor World	275		R6.3	2.5	3.0	17.3
100	F.P.	-	100	95½	Pilot Inv. Trust	95½		-	-	-	-
-	F.P.	-	28	21	Do Warrants	27		-	-	-	-
100	F.P.	-	105	102	Schroder Split Fd Inc	103	-1	M5.75	-	8.7	-
20	F.P.	-	21	18	Do. Cap	21		-	-	-	-
100	F.P.	-	101¼	99	Do. Zero Div. Pf.	101½		-	-	-	-
25	F.P.	-	28¼	25½	Warrants & Value Tst	28¼		-	-	-	-
110	F.P.	-	147	127	Yorkshire Food	129	+1	W2.55	2.6	3.0	15.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
405	Nil	23/4	71pm	52pm	British Polythene	71pm	
28	Nil	7/4	24pm	9pm	3-Quid	9pm	-3
239	Nil	21/4	47pm	40pm	Gold Greenlees Trott	47pm	
17	Nil	7/4	11pm	3pm	Lopex	4pm	+½
225	Nil	8/5	35pm	34pm	Pendragon	34pm	
98	Nil	23/4	40pm	22pm	Vickers	24pm	-5
45	Nil	23/4	12pm	8pm	WPP	7pm	-1

Figures based on prospectus estimates. [illegible] Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1993-94. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings March 22
- Last Dealings April 2
- Last Declarations July 1
- For settlement July 12

3-month call rate indications are shown in Saturday editions.

Calls in Kwik-Fit, Lasmo, London Finance, Marley and ML Labs. Double in Rutland Trust.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
Stakehouse (*194)	180	22	30	34	3	9½	13
	200	8	18	24	0	20	22
Trafalgar (*77)	74	7	11½	15	3	7	8
	83	2½	7½	10½	8	13	14
Utd. Biscuits (*406)	390	23	34	46	7½	19	24
	420	5	20	28	28	00	46
Unilever (*1190)	1150	48	75	106	13	00	42
	1200	12	47	70	39	60	67
Barclays (*414)	390	27	42	52	1	13	23
	420	1½	28	35	8	24	37
Blue Circle (*226)	220	7	18	28	2	15	23
	240	½	7½	18	18	21	38
British Gas (*296)	280	17	21	26	1	6½	12
	300	1	10	18	8	28	23
Dixons (*224)	220	8	20	26	1	15	23
	240	1	18	17	19	28	35
Eurotunnel (*475)	460	22	40	68	½	31	46
	500	1	28	47	38	65	00
Option		May	Aug	Nov	May	Aug	Nov
Brit Aero (*276)	280	00	48	80	14	23	00
	300	24	36	60	24	35	46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 24 Total Contracts [illegible] Calls 21,374 [illegible] FT-SE Index [illegible] Euro FT-SE [illegible] *Underlying security price. [illegible] Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Mar 24	Day's change %	Tue Mar 23	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.07	-0.03	129.11	2.10	2.36
2	5-15 years (22)	148.76	-0.26	149.14	1.51	3.57
3	Over 15 years (8)	157.04	-0.63	158.04	1.12	3.10
4	Irredeemables (6)	180.14	-0.60	181.23	3.10	1.48
5	All stocks (60)	144.77	-0.25	145.13	1.69	3.21
	Index-Linked					
6	Up to 5 years (2)	182.91	-0.10	183.09	0.36	1.61
7	Over 5 years (12)	173.77	-0.22	174.15	0.82	1.33
8	All stocks (14)	173.87	-0.20	174.22	0.69	1.35
9	Debs & Loans (67)	128.21	-0.63	129.02	2.32	2.49

	AVERAGE GROSS REDEMPTION YIELDS		Wed Mar 24	Tue Mar 23	Year ago (approx.)
	British Government				
1	Low	5 years	6.72	6.66	9.12
2	Coupons	15 years	7.84	7.69	9.52
3	(0%-7¾%)	20 years	8.10	8.01	9.52
4	Medium	5 years	6.88	6.86	9.60
5	Coupons	15 years	8.11	8.06	9.57
6	(8%-10¾%)	20 years	8.36	8.29	9.52
7	High	5 years	7.06	7.01	10.18
8	Coupons	15 years	8.38	8.32	9.76
9	(11%-)	25 years	8.57	8.49	9.60
10	Irredeemables(Flat Yield)		8.32	8.24	9.49
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.37	2.33	3.74
12	Inflation rate 5%	Over 5 yrs.	3.44	3.42	4.54
13	Inflation rate 10%	Up to 5 yrs.	0.91	0.87	3.04
14	Inflation rate 10%	Over 5 yrs.	3.04	3.02	4.12
15	Debs &	5 years	8.68	8.57	11.22
16	Loans	15 years	9.36	9.32	10.90
17		25 years	9.60	9.51	10.73

Provisions mar 'fine performance' by UK construction side

Amec deficit accelerates to £88m

By Andrew Taylor, Construction Correspondent

AMEC, the UK construction, engineering and property group, announced provisions of £114.6m resulting in a £87.5m pre-tax loss for the 12 months to December 31.

That compared with a £13.1m deficit last time. The 1991 results, which included provisions of £69.4m, were recalculated in line with the FRS 3 accounting standard.

The final dividend is cut from 6.25p to just 1p, making a total of 3p (10.25p) for the year.

The latest provisions included almost £34m of write-downs caused by problems with cladding on a Brighton office development block and the receivership of the Trocadero redevelopment in central London.

The group also reported a £14.3m loss, mainly in Australia, where it has previously reported write-downs on hotel, shopping and office developments in Sydney and Melbourne.

Sir Alan Cockshaw, chairman, said the provisions had marred an otherwise fine performance by the UK construction division. Senior management involved in the Brighton and Australian developments had been changed, he pointed out.

Mike Amon

Sir Alan Cockshaw: Appropriate action taken to put things right

"We are not happy about this situation but have taken the appropriate action to put things right," he said.

Amec has written down by £16m its one fifth stake in Power Corporation, the Irish property group which took over full responsibility for redeveloping the Trocadero site after its joint venture partner, Brent Walker, ran into trouble.

Receivers were appointed earlier this year to the five Power subsidiaries responsible for the Trocadero redevelopment. The write-down on the Brighton development totalled £15.5m.

Amec in addition has written down by £63m the value of land and work in progress of its housing and commercial property operations.

These produced an operating loss of £17.1m (£10.1m loss) before provisions. Overseas operations, following setbacks in Australia and the US, incurred a £13.7m loss compared with a £1.1m profit.

UK contracting profits by comparison were only 10.7 per cent lower at £55.1m (£61.7m). Sir Alan said this was an excellent performance in a difficult market.

● COMMENT

There was no surprise at the size of the provisions which had been widely forecast and Amec's share price rose 5p to 61p despite the scale of the loss. The company has been honest about its mistakes and the market appears to have accepted that these have been caused by isolated management aberrations rather than by a general corporate malaise. The UK contracting business has performed well and mechanical and electrical margins, excluding the Australian problems, remain good. The lack of a quality housing operation detracts from what otherwise is an excellent range of businesses. Profits of £25m would put the company on about 10 times earnings which does not do justice to the quality of the construction business but reflects the lack of housing recovery potential.

Barratt makes 92% surge to £4.8m

By Andrew Taylor

SIR LAWRIE Barratt, brought out of retirement 21 months ago to rescue Britain's third largest housebuilder, yesterday proposed to increase the company's output by almost two-thirds during the next three years.

Barratt Developments, which announced a 92 per cent jump in pre-tax profits to £4.8m (£2.5m) in the six months to December 31, said there were clear signs that the UK market was beginning to revive after four years of recession.

The company wants to increase the number of homes it builds from 5,000 in the current year to 8,000 by 1996.

It said it would finance expansion from within its own resources, without resorting to a rights issue and keeping gearing to less than 50 per cent.

Since Sir Lawrie returned in July 1991, the company has cut net debt from £255m to just £81m at the end of December, including off-balance sheet borrowings. This was equivalent to 44 per cent of shareholders funds of £184m.

The biggest contribution to the first half profits improvement was reduced interest payments, which fell from £9.9m to £4m. Of this about £1.1m was due to lower interest rates and £4.8m to reduced debt.

Sir Lawrie said that net reservations had risen by about 15 per cent compared with the first three months of last year. This was despite the fact that Barratt was operating from considerably fewer sites than a year earlier.

UK profits rose from £6.3m to £7.5m, despite the number of houses sold dipping from 2,123 to 2,017. Group turnover fell from £209.7m to £174m, of which the UK accounted for £164m (£190m).

The US incurred a £2.7m loss in the first half with the group continuing to experience problems in a depressed Californian market.

The group was seeking to get better value out of its Californian operations by introducing similar management to those which had turned round the UK business, Sir Lawrie said.

The interim dividend is restored at 1p. Earnings per share increased from 1.4p to 2p.

● COMMENT

Barratt shares, which have had a good run recently, fell 3p to 133p yesterday. There was some disappointment that the housing recovery, reported by other housebuilders, was not more in evidence and some brokers downgraded profit expectations for the full year. The group will also need to step up its land holdings of 13,500 plots with planning permission to about 16,000 if it is to meet its three year sales target. Sir Lawrie and chief executive Frank Eaton, however, have done a tremendous job in turning round the UK business. But the shares are on a prospective multiple of more than 17 on forecast profits of £18m and have probably run their course for the time being.

Mitchell family cuts Wimpey stake to 5%

By Andrew Taylor,

A 70-year link between the Mitchell family and George Wimpey was loosened yesterday when Grove Charity Management raised more than £110m from selling a 29 per cent stake in the construction group.

The 84.3m shares were placed with a wide number of institutions by SG Warburg Securities and Cazenove.

Wimpey's share price, which fell by 4p following the announcement to 142p, has more than doubled since its low of 67p last September.

The charitable trust was established in 1955 by Sir Godfrey Mitchell, who bought Wimpey, a west London stone mason, for £3,000 in 1919.

Grove will remain Wimpey's largest shareholder, with a 5 per cent stake.

Mr Joe Dwyer, Wimpey's chief executive, said yesterday that he had been aware for 16 months that the trust wanted to widen its investment portfolio.

The placing would make it more difficult for a predator to mount a takeover bid, as the shares would be more widely held.

"The rules governing charitable trusts meant that if it had received an attractive single offer for all its shares it would have been required to sell in the best interests of tha beneficiaries," said Mr Dwyer.

The trust provides funds for a wide range of UK social and welfare projects. It controls investments worth about £270m, of which the Wimpey stake formerly represented about 40 per cent.

Trustees include Mrs Mary Graves and Mrs Helen Dunwell, Sir Godfrey's daughters. Dr Desmond Graves, husband of Mrs Mary Graves will remain on the Wimpey board.

Seven years ago the trust reduced its 49.9 per cent stake to 34 per cent. It said it had no intention of reducing its stake below 5 per cent.

The disposal, however, may make it easier for Wimpey to issue equity to raise cash, should it eventually consider this necessary.

Blenheim optimistic after achieving £49.7m

By Angus Foster

BLENHEIM GROUP, the exhibition organiser, yesterday forecast an "excellent" year to come after announcing slightly higher than expected profits.

Pre-tax profits totalled £49.7m in the 16 months to December 31. Profits for the 12 months to August 31 last year amounted to £37.3m.

The company decided not to adopt accounting standard FRS 3 because of a change in the financial year end.

Mr Neville Buch, chairman, said Blenheim continued to perform well. He said the company's large, established exhibitions had weathered recession in its main markets like the US and France.

Turnover was £239.1m, compared with £122.2m, including a £13.5m contribution from Batimat, the biannual French building supply exhibition held in November 1991.

Gross and operating profit margins fell slightly, partly because few large events were held in the last few months while overheads remained steady. The company was also affected by higher than expected inflation in Germany, Mr Buch said.

There was an extraordinary charge of £11.7m to cover losses on the disposal and closure of the Belgian and Swiss companies. The charge covered goodwill previously written off through reserves.

About 90 per cent of profits come from outside the UK. Because the company uses year-end exchange rates, sterling's fall in value led to a £4m exchange gain. However, this was balanced by a large increase in debtors and Mr Buch said there was "very little" currency gain in the figures. The company had decided to adopt average exchange rates from this year, he said.

Earnings per share were 36.9p, against 34.1p, while a recommended final dividend of 3p makes a 12p (7.83p) total.

● COMMENT

Not too much should be read into these figures, which are inconclusive because of the change in year end. But the company's optimistic statements, and the fact the shares are tightly held so can over-react, pushed the shares up 8p to 605p. The figures did contain some pointers. A £3.5m pre-tax profit from trade magazines and catalogues was promising. The episodes in Belgium and Switzerland were not, although shareholders will be relieved Blenheim realised its mistake quickly. For the coming year, comparisons will remain difficult because of the timing of biannual events. Analysts will want to see if Blenheim can maintain its margins and push through some price rises. With last year's currency gains salted away in case times get tougher, the company should meet forecasts of £47m this time. A rating of 16 times looks demanding for a company still to prove it can maintain momentum now it is maturing.

Adult readers lift Dorling

By Andrew Bolger

AMERICAN INTEREST in sex and British enthusiasm for gardening helped boost interim profits at Dorling Kindersley, the publisher of illustrated reference books which was floated in October.

However, shares in the group fell 41p to 264p after it said that trading conditions for children's books had become more competitive in America and it would stop sales to US warehouse clubs. The shares had risen strongly from their flotation price of 165p, which valued the group at £102m.

Group pre-tax profits rose 21 per cent to £4.2m for the six months to December 31, after charging £306,000 for flotation costs. Sales improved 20 per cent to £38.6m.

There was strong US demand for two sex books – Anne Hooper's Ultimate Sex Guide and The Magic of Sex by Dr Miriam Stoppard – which sold 70,000 copies each.

UK readers bought 69,000 copies of The Royal Horticultural Society Encyclopedia of Gardening in its first season. In spite of the book's £30 price tag. The similarly priced companion RHS Encyclopedia of Plants and Flowers has sold more than 1.1m copies worldwide and, in spite of being published in 1989, generated more than £1.1m of turnover in the UK alone.

The disparity in readers' appetites should not be overstated: about 5 per cent of the sex books were sold in the UK, where they had been available for some time, and the group is working on an American Horticultural Society's gardening encyclopaedia, to be published in the autumn.

The group said sales continued to be well spread internationally.

Turnover of the DK Adult division increased by 31 per cent to £23.9m. However, DK Children's turnover declined 10 per cent to £11.3m, reflecting a more competitive market and the phasing of main titles. The group has stopped selling books to discount warehouses because it plans to start selling books at full retail price through its Family Library business in the US.

Earnings were 4.7p (4.3p). The interim dividend is 1.1p.

● COMMENT

The Dorling Kindersley story was beginning to look too good to be true: after the intermediaries element of its October offer was six times oversubscribed, the share price had nearly doubled and the company was last month voted publisher of the year at the British Book Awards. Yesterday's correction in the share price came because of a drop in sales to the tougher children's market, a gap in the phasing of new reference books, and the decision to stop selling to discount warehouses in the US. That makes sense in the longer term, since it will protect the group's high retail margins, but it will hit sales immediately. Analysts have reduced full-year forecasts to £9.5m, whicb puts the shares on a prospective multiple of nearly 20. They are likely to drift until the problems in the children's market begin to recede.

Cheap birds shave off £10m at B Matthews

By Hugh Carnegy

PRE-TAX profits at Bernard Matthews, the poultry processor, fell by 75 per cent in 1992 as low-priced imports from the US and Europe and falling demand in the UK market for whole turkeys hit the Norfolk-based company hard.

Profits in the 53 weeks to January 3 were £3.33m, compared with £13.2m in the previous 52 weeks.

Turnover was down from £148.4m to £144.2m.

Mr Bernard Matthews, chairman, said profits from value-added processed turkey products had risan. These account for about 80 per cent of turnover.

Losses in the company's whole bird and commodity meats business had caused the overall reversal.

He said the added competitiveness as a result of sterling's devaluation had led to some improvement so far this year. Demand was also up, but prices were still extremely low.

Meanwhile, Mr Matthews announced his company's second venture into continental Europe, through the £2.7m cash acquisition of a 90 per cent share in Sarvari Baromfiipari, a Hungarian producer of turkey, chicken, goosa and duck meat.

Sarvari, with net assets last June of £12.3m, serves the Hungarian, Swiss and Austrian markets.

Mr Matthews said his company saw development in central Europe as a strategic opportunity for expansion.

Bernard Matthews is also engaged in a big push to establish its processed products in France. A television advertising campaign began 10 days ago. Mr Matthews said it was too early to judge the impact.

Earnings per share were 1.64p (6.95p). The final dividend is 1.25p, making a halved total of 2.25p.

Steel Burrill pleases City with rise to £13m

By Richard Lapper

STEEL BURRILL Jones, the insurance and reinsurance broker, yesterday reported a 21 per cent increase in 1992 pre-tax profits to £13.3m and maintained a total dividend of 13.25p.

The news prompted a positive response from investors and the shares rose 10p to close at 261p, even though earnings declined to 18.11p, from a restated 20.66p for 1991. The final dividend is 9p.

In line with FRS 3 some £1.15m in net profits from the sale of the group's investments in two associates was been included in pre-tax profits.

Opereting profits, howevsr, fell to £3.39m (£3.6m). Investment income increased by 14.6 per cent to £7.83m and associates contributed £911,000 (£115,000) to pre-tax profits.

Mr George Boden, chief executive, said he expected falling interest rates and tough trading conditions to constrain growth in 1993. "Growth of total group income is likely to be modest ... and the group's results will inevitably be affected if short term interest rates continue at current low levels," he warned.

The group, however, will continue to control its expense base. In 1992 expensas increased by 17 per cent to £43.9m (£37.4m) – against growth in turnover of 15.27 per cent to £47.3m. But expenses were down at an underlying rate of 6 per cent, with the group's headcount falling from 880 to 830.

A poor performance by SBJ Regis Low, the offshore energy broker acquired for £35m in January 1992, was the biggest blot on the performance. SBJ Regis Low lost an important account insuring US construction liabilities – worth some £2m in commission income – in April, and was subsequently hit by reduced demand for offshore insurance.

Despite a cut back in expenses pre-tax profits were only just over half of their pre-acquisition level of about £5m.

Mr Allan Nicholls, analyst with James Capel, said the market was relieved that Regis Low's had not produced worse results, and that this has contributed to yesterday's positive reaction.

"The figures are not out of line with what was expected but Regis Low has shown a capacity to disappoint."

Manganese Bronze in black

By Catherine Milton

MANGANESE Bronze Holdings, the black taxi cabs maker, returned to pre-tax profits of £577,000 in the six months to January 31, compared with losses of £492,000.

There is an interim dividend for the first time in two years, with a 0.5p payment from earnings per share of 2.19p (2.3p losses). Turnover rose to £37.8m (£33.9m).

Mr Hugh Lang, chairman, said overall taxi sales were lower than before, but from November they tended to move forward and this trend has continued into the second half.

The vehicles division returned £13m (£10m) profits on turnover of £22.3m (£20.7m) – sales are lower in the first half of the year.

The group reported losses on its LTI Homer sub-assembly business and the continued failure of Fairway Nissan, the car dealership, to break even.

The Deans Powered Doors division returned to profits of £9m (losses £433,000) with turnover up 46 per cent to £2.78m (£1.89m). The components side turned in £778,000 (£541,000) on turnover of £12.7m (£9.77m).

Both divisions benefited from the sterling devaluation. Deans Powered Doors exports about 50 per cent of its products and about 30 per cent of components go abroad.

Mr Jamie Borwick, chief executive, said: "The sterling devaluation may have got ns in, but its the quality level that will keep us there."

Trafalgar rights 89% taken up

By Roland Rudd

TRAFALGAR House, the construction, engineering and shipping group, yesterday announced that its shareholders had taken up 89 per cent of its 1-for-2 rights issue at 60p.

It ordinary and A shares yesterday rose by 1½p to 77p and 75p respectively. The rights raised £204.5m.

The rump of the issue, representing 38.8m shares, was placed with the Swiss Bank Corporation by Robert Fleming, the merchant bank handling the issue.

SBC has a put option under which Hongkong Land, the Jardine Matheson controlled property company, may be required to purchase up to 67m shares, or about 75m shares adjusting for the rights, representing 7.1 per cent of Trafalgar's stock.

SBC is expected to sell the rump of rights to Hongkong Land for about 78p a share. This would take Hongkong Land's 20.7 per cent Trafalgar shareholding above 24 per cent.

If SBC exercises all of the put, which it would have to do by May 3, Hongkong Land's stake would rise to about 28 per cent. Its stated aim is to take its Trafalgar holding to 29.9 per cent.

Hongkong Land has undertaken not to increase its stake above 29.9 per cent or make a full bid for Trafalgar until April 1 1994, unless a third party offer or tender is made or a third party acquires 15 per cent of the company's shares.

Wetherspoon advances by 47% to £1.49m

By Andrew Bolger

JD WETHERSPOON, the chain of Greater London pubs floated in October, increased pre-tax profits 47 per cent to £1.49m in the six months to January 31.

Salas rose 32 per cant to £13.2m, but earnings per share fell from 6.9p to 8.1p because of the greater number of shares in issue following the flotation. The first interim dividend is 1.8p.

The company had 44 pubs open at the time of the flotation, and has since increased its estate to 58.

Mr Tim Martin, chairman, said: "Since the flotation, the company has obtained five additional licences to convert unlicensed premises into pubs and has also purchased a large existing pub from a brewer."

He said the new establishments had made a promising start and would make a significant contribution to earnings in the second half. The original 44 pubs continued to perform well, with food sales particularly strong.

Costs as a percentage of turnover were higher than the corresponding period last year because of the expense of opening new pubs and the higher proportion of leasehold pubs which were free of tie.

Some 14.68m shares, representing 51 per cent of the enlarged capital, were floated at 160p.

Barr & Wallace Arnold falls 14% to £3.7m

By Nathalie Lemoine

BARR & Wallace Arnold Trust reported pre-tax profits down 14 per cent, from £4.3m to £3.7m for 1992 as recession took its toll on the group's travel, motor and fuel distribution activities.

Profits ware reduced to £1.36m (£1.99m) on the core motor distribution eide, and fell to £3.11m (£3.7m) at the leisure and holidays division.

Fuel distribution was in the red for the first time.

Turnover of this Leeds-based company slipped to £227m (£229m).

The group's debt doubled to £20.2m and gearing rose to 74 per cent (32.4 per cent) at year end after a change in accounting policy to conform with FRED 4. The main effect was to bring the group's interest in four hotels, and their associated debt, on to its balance sheet.

Prospects had improved for the motor distribution, said Mr Malcolm Barr, chairman, but widespread discounting of holiday prices would affect the group even more deeply this year. The results for 1993 were unlikely to improve much he said.

An unchanged final dividend of 7p is proposed for a maintained 10p total which is payable from reduced earnings per shars of 18.1p against 20.7p.

Platform shoes squeeze Lambert Howarth

By Peggy Hollinger

LAMBERT HOWARTH, the UK footwear supplier, yesterday announced an 8 per cent decline in pre-tax profits to £2.98m in 1992 on a 17 per cent jump in sales to £56.6m.

Mr Robert Garfit, managing director, said the group had suffered from "adverse conditions on the high street" and the effect of devaluation on its imported products. Margins had been under severe pressure, although Lambert had sought to reduce costs and improve efficiency.

The impact of changing fashion – particularly increased demand for platform shoes – had also depressed margins. Platforms, the group said, required more complicated prodnction processes and higher cost materials.

However, the gronp had made significant progress in its acquisition programme. Honeywell footwear, a safety footwear group, and Technic, a manufacturer of mens shoes, were acquired and contributed some £1.5m to sales.

Lambert reported net cash balances at the end of the year of £5m, after making the acquisitions. The final dividend is 8.75p for a total of 13p (12.5p). Earnings were maintained at 39.2p (39.3p), helped by a lower tax charge.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amec	fin	1	July 1	6.25	3	10.25
Barr & Wallace	fin	7	July 5	7	10	10
Barratt Devs	int	1	May 28	nil	-	2
Barry Wehmiller	int	2.4	June 2	2.4	-	6.7
Blenheim	fin	3	June 25	5.5	12☆	7.83
BSG	fin	2.5	July 1	2.5	3.2	3.2
Dorling	int	1.1	May 28	-	-	-
Geest	fin	4.4	July 1	4.3	8.1	7.9
Johnston Press	fin	4	May 10	3.5	6.25	6.5
Kingfisher	fin	6.5	June 4	9	13.7	13
Lambert Howarth	fin	8.75†	May 13	8.5	13	12.5
Lasmo	fin	1	June 7	6.2	3.3	8.5
Lex Service	fin	6.6	May 4	6	10.6	10
Linost §	int	2	Apr 23	1.8	-	5.1
London Forfait	fin	5.5☆	Apr 2	5	8.4	7.625
Manganese Bronze	int	0.5	Apr 26	nil	-	1
Matthews (Bern)	fin	1.25	May 7	2.5	2.25	4.5
Ricardo	int	1.9	May 6	1.9	-	5.7
Richardsons West	fin	1.75	May 28	1.7	3	2.9
SB	int	2.533‡	Apr 15	2.075	8.758	8.8
Sheff Insulation	fin	3.8	May 14	3.6	5.4	5.4
Steel Burrill	fin	9	May 27	9	13.25	13.25
Sumit	int	1.4☆	Apr 2	1.25	1.4	1.25
Town Centre Secs	int	1.1	June 30	1	-	3.1
TT	int	6.6☆	Mar 31	3.6	6	5.5
Weir	fin	8.3	June 11	7.4	11.6	10.5
Wetherspoon (JD)	int	1.8	May 20	-	-	-
Wood (Arthur)	fin	1.5	Apr 30	4.1	1.5	4.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆For 16 months. ‡Second interim in lieu of final. ‡Revised fourth quarter dividend.

Weir maintains growth with £39m

By Jane Fuller

WEIR GROUP, the Glasgow-based engineering concern, delivered a 10th year of profits growth in 1992, pushing the pre-tax figure up by 14 per cent from £34.2m to £39.2m.

Lord Wair, chairman, said the concentration on specialist engineering and services had paid off, as had getting out of such "commodity" activities as steel foundries.

About 60 per cent of sales were overseas and its UK business was in the more resilient sectors of oil and power.

Turnover in the 53 weeks (52 weeks) remained flat at £424.8m after the inclusion of £23.1m from a US acquisition.

Mr Ron Garrick, chief executive, said short-term orders, such as for spare parts, were down in the first nina months. "About £30m of business that we expected did not appear." The inflow had improved over the past six months.

The slackness had mainly affected the engineering services division, where operating profit fell from £8m to £6.18m on sales of £80.4m (£87.3m).

Engineering products advanced to £26m (£20.3m), including a near-£2m acquisition contribution. The margin improvement was partly due to profits being taken towards the end of contracts.

Lord Weir said that although the order book had fallen from £470m to £373m, the position was not bad. The previous year's figure was abnormally large because of long-term contracts for desalination plant and gas-handling equipment.

The balance sheet strengthened further to show £52.3m (£46.3m) cash, of which £29m (£21m) was advance payments.

Mr Garrick said the group's acquisition policy was firmly in the field of "mechanical engineering products that are difficult to make or design." Following the US purchase, a pump business in continental Europe would be an ideal next step.

Earnings per share rose to 35.5p (32.1p). The final dividend is raised to 8.3p to make an 11.8p (10.5p) total. The company proposes to split its shares, doubling the number in issue to about 156m.

● COMMENT

Plaudits for Weir's management through recession have been amply expressed in a share price rise from 227p in January 1991 to 668p last month. Now the argument is that recovery stocks will lure away some of the money that retreated to quality. Weir points out that it will continue to grow and that the pound's devaluation helps its export prospects. Its irritation is understandable at the idea that companies which have done badly are more attractive. But its price looks high. On a pre-tax forecast of £42m, its prospective p/e is more than 17 on last night's close of 649p. That rating is more suitable to companies whose earnings are returning from a depressed level. Assuming 10 per cent dividend growth, the prospective yield is roughly 2.5 per cent, significantly below the market. While the case for holding on to quality is strong, especially while tangible evidence of recovery is weak, some profit might be taken.

COMPANY NEWS: UK

Retailer goes for volume with low prices on 500 products

Comet growth helps lift Kingfisher to £205m

By Peggy Hollinger

SIR GEOFFREY Mulcahy, chairman of Kingfisher, yesterday committed the retailing group – which owns B&Q, Woolworth, Superdrug and Comet – to a policy of everyday low prices as a way of enhancing earnings in the "lower growth 1990s."

As a first step, B&Q and Woolworth would be introducing permanently lower prices on a range of 500 products this week.

This was not the beginning of an Easter price war, Mr Mulcahy said: "A war has a beginning and an end. This will just go on and on."

However, the strategy implied that gross margins would have to fall.

Analysts welcomed the latest development in Kingfisher's strategy. "Kingfisher is one of the few retailers which understands what discounting is really about," said Mr Paul Deacon of Goldman Sachs. "It is about driving volume ... and has been proven with the US experience."

Mr Mulcahy was announcing profits for the year to January 30, which showed a 5 per cent increase to £205m under the accounting standard FRS 3.

This was after a £26.4m write-down (£1.9m gain) on the development portfolio, and a £3.2m (£11.4m) charge on the disposal of group properties.

Under the old accounting standard, profits were depressed by a £23.5m net exceptional charge – arising from the property write-down – from £228m to £211m.

Turnover rose to £3.55bn (£3.39bn).

The sharpest improvement came from the Comet chain, which sells electrical goods. Operating profits rose from £9.1m to £17.7m. Like-for-like sales increased by 15 per cent.

Mr Mulcahy attributed Comet's growth to a refocusing away from the high street to out-of-town centres, better management and an improved product range.

B&Q suffered a 10 per cent decline in operating profits to £81.1m on increased sales. However, sales were 16.5 per cent ahead in the last two months of the financial year, and the improvement in trading performance had continued.

Woolworth improved by £6.4m at the operating level to £77.8m, fuelled by strong contributions from computer games, toys, and kitchen products.

Superdrug's profits were marginally higher at £34.8m (£34.6m). The division was examining new markets following the success of retailing discounted perfumes. Kingfisher was also beginning to look into introducing pharmaceutical services in Superdrug, with two outlets already operating pharmacies.

Finally, Mr Mulcahy said the planned merger with Darty, the French electrical goods retailer, was due to be completed in June.

Darty shareholders would have 12 per cent of the enlarged group following the transaction and the £313m rights issue launched by Kingfisher to help fund the merger.

The final dividend is raised by 0.5p to 9.5p, for a total of 13.7p (13p).

Earnings per share fell from 35.2p to 31.3p. Under the new accounting standard, earnings increased from 28.5p to 30.1p.

See Lex

Sir Geoffrey Mulcahy: not the beginning of a price war

Confusion over the identity of Fisherking

Alice Rawsthorn looks at Darty, an institution on the French retail scene

PASCAL, a sales assistant at the Darty store in Les Halles shopping centre in Paris, beamed when asked about Darty's takeover by a British company. "It's good news for everyone," he said. "We'll represent them in France and they'll represent us in the UK. It makes sense for us to link up with Fisherking."

Pascal is not alone in his confusion over the identity of Darty's new owner.

Kingfisher may be one of the most powerful players in UK retailing but it was virtually unknown in France until last month's announcement that it had agreed terms to acquire Darty, the largest chain of electrical retailers in the country.

Darty itself is equally obscure in the UK. However, Kingfisher has bought a business which is not only a leading force in its sector, but an institution on the French retail scene.

The Darty stores, with their warehouse-style interiors and monochrome signs, are a familiar sight in city centres and out-of-town shopping complexes all over France.

Darty has 130 stores throughout the country which command 12 per cent of the national market for electrical products and nearly 30 per cent of sales in Paris and Lyon. It also has an almost unassailable reputation for quality and service among its customers.

To the French, the Darty name has the same cadences of good value and reasonable prices, as Marks and Spencer or John Lewis to the British. In other words it has built up a reputation for value-for-money and quality which would be the envy of most UK electrical chains, including Kingfisher's Comet. Darty has achieved this through a combination of highly disciplined management, a carefully co-ordinated public image and strong commitment to service.

Darty dates back to 1957 when the three Darty brothers – Bernard, Claude and Nathan – opened their first store. The company expanded rapidly in the 1960s, 1970s and 1980s as the brothers opened new stores to satisfy demand for the new electronic products – washer-dryers, fridge-freezers, hi-fi systems, colour televisions and videos – which were flooding on to the market.

The Darty stores have a similar clean, functional look to those of M&S and John Lewis, with white walls and pale grey floors. The stores are filled with row after row of products, all accompanied by neat information panels and discreet neon signs to identify different departments.

Cleaners prowl around the stores to dust and polish the products. The glitzy signs and bargain baskets that tend to litter other electrical stores are conspicuous by their absence. Darty's outlets have a restrained ethos which could not be more different from the flashy feel of its competitors.

Darty has also invested heavily in service. Its sales staff are sent on regular training sessions to ensure that they are well-informed about the merchandise. Darty also offers free delivery and also an after-sales service. This gives it a distinct competitive advantage over other French retailers, which are notoriously weak on customer service. Darty made sales of FFr375m from service alone in the year to August 31, against FFr8.19bn from its retail operations.

As a result, Darty is one of the handful of French retailers to dominate its sector. Its size helps to deter potential competitors particularly as it now operates on such a scale that it would be difficult for other companies to match its negotiating power with suppliers. It is the only large specialist electrical chain in France. The rest of the market is fragmented between hypermarkets, department stores, furniture chains such as Conforama and thousands of independents.

Darty's reputation among the French public is mirrored in the stock market's perceptions of the group. Despite the recent slowdown in the household products market – which trimmed Darty's sales from FFr8.75bn in 1991 to FFr8.56bn in 1992 and pre-tax profits from FFr1.085bn to FFr1.07bn over the same period – it is still one of France's most profitable retailers.

Since its management buy-out in 1988, Darty has effectively operated as a private company with a very low profile in the investment community. Before the buy-out it traditionally traded at a generous premium with a p/e ratio of about 20, against an average of 15 for the rest of the retail sector.

"Darty was always a blue chip stock," said one Paris retail analyst. "I've lost contact with the management since the buy-out, but I'm still a loyal customer. Nothing has changed judging from the feel of the stores. The quality of the business seems to be as high as ever."

Geest hit by banana surplus

By Roland Rudd

PRICE DEFLATION affecting fresh produce resulted in a 22 per cent fall in Geest's pre-tax profits for the 53 weeks ended January 2.

Profits at the fresh produce and prepared foods group fell from £26.2m to £20.4m on lower sales of £625m (£626.3m). Trading profits from fresh produce fell from £19.3m to £15m, mainly because of the surplus of bananas.

Mr David Sudgen, chief executive, is expecting the price of bananas to rise after July when the new banana regime within the Singla Market comes into effect.

He said: "For the first time, the whole of the European Community will be regulated when our significant investment in creating a pan-European business will pay off."

Last yaar tha group increased capital expenditure from £18m to £43m, primarily in the davalopment of its banana business. A further £35m of investment has been earmarked for 1993.

As a result of the capital expenditure, a cash surplus of £19m was turned into net debt of £7.2m.

Food preparation increased trading profit from £5.4m to £6.2m. Mr Sndgen said he hoped the division, which is to be expanded, wonld donhla profits by 1995.

Macfish, in which Geest had a 50 per cent interest, was sold for £9.7m in September and last week the group's two US salad businesses were sold for $5.7m (£3.8m).

The sales gave rise to a £17.2m extraordinary charge, of which £16.1m related to goodwill previously written off to reserves.

Earnings per share fell from 26.3p to 20.4p. However, the final dividend is increased to 4.4p making a total of 8.1p (7.9p).

● COMMENT

The new banana regime should have the effect of taking away husiness from the hig dollar banana importers, such as Dole. In 1994, after the first full year of the new regulation, Geest may well achieve its aim of becoming the second or even the higgest importer of bananas into the European market. It is unlikely, however, to pull off its other stated aim of generating half its profits from food preparation. It is already facing stiff competition in this area, not least from the likes of Northern Foods. With forecast pre-tax profits of £25m, the shares – down 4p to 454p – are on a prospective multiple of 18.2 this year. But in 1994, which is arguably where investors should be looking. the shares are on a more realistic rating of 13 times earnings.

Enlarged Johnston Press hits £9.76m

By James Buxton, Scottish Correspondent

JOHNSTON PRESS, the Edinburgh-based newspaper puhlishing group, increased 1992 pre-tax profits hy 32 per cent to £9.76m, with just over half the increase coming from acquisitions.

The company, in which the Johnston family has a 45 per cent stake, has doubled its turnover since 1988 – partly because of a series of acquisitions of newspaper and publishing groups as it has expanded out of Scotland and the north of England.

Mr Fred Johnston, executive chairman, said that for the third year running there was no evidence of any improvement in the market place. The company's improved performance was due to its own efforts in containing costs and in finding business opportunities "in often bleak economic conditions."

The company benefited from "the strong and well-established" position of its free and paid-for newspapers, which operate between Falkirk and Sussex. The bookbinding and library bookselling businesses performed well.

Turnover rose 16 per cent to £71.7m, of which all but 1.6 per cent was due to acquisitions. The figure benefited from one year's revenue of Greenhead Books of Ipswich, one quarter from TR Beckett, the Sussex-based newspaper gronp, and from Shoesmith and Etheridge, a stationery wholesaler in Uckfield, Sussex.

Mr Iain Bell, managing director, said: "Our strict cost controls and good housekeeping stand us in good stead."

Mr Johnston hinted at possible further acquisitions, stating "as companies scarred by the recession begin to review their portfolios, there are going to be further business opportunities for undertakings which have survived the last three years in good order."

He added: "Despite the utterances of the politicians, evidence in the everyday world has yet to provide any significant signs that the recession is coming to an end."

A final dividend of 4p makes a 6.25p (5.5p) total.

Reorganised Lex Service achieves sharp improvement

By Jane Fuller

THE VOLATILITY in pre-tax profits that can be caused by the new FRS 3 accounting standard was highlighted hy Lex Service's results yesterday.

Under the new standard, the motor group turned a pre-tax loss of £50.1m in 1991 into a profit of £107m last year.

The big swing factors, giving a £63.7m profit, were the disposal (at a goodwill-impacted loss) of electronics interests and the ending (for a large amount of compensation) of its exclusive import agreement with Volvo.

Earnings per share came out at 96.7p compared with losses of 57.4p.

Under the old rules, with those transactions taken as extraordinary items, pre-tax profits advanced from £500,000 to £28.3m. Earnings were 30.2p (0.4p).

The main FRS 3 neutral figures were turnover, £910.7m (£1.32bn), and the proposed increased final dividend of 6.6p (6p) to give a 10.6p (10p) total.

The share price gained 16p to close at 335p.

Lex also signalled its ambitions by announcing the £13m purchase of 52 Autocentre servicing garages from Lucas Industries.

Sir Trevor Chinn, chairman and chief executive, said the group's other targets included increasing the car dealership network from 90 to 120 sites and doubling the size of the contract hire fleet to 100,000.

Lex's continuing motor retail husiness nearly doubled its trading profit (before £6.7m of group overheads) to £12.4m with the help of about £2m from Swan National, bought from the TSB Group last May.

Leasing companies, all joint ventures with Lombard North Central – part of National Westminster Bank, contributed £9.6m to pre-tax profit as associates.

Lex Vehicle Leasing turned from a £3.6m loss to a £6.5m profit, benefiting from rationalisation and lower interest charges.

Truck leasing was also turned round and the forklift trucks side showed strong growth.

Lex retains a 17.5 per cent stake in Arrow Electronics of the US. This coutrihuted £9.5m.

The market value of the stake rose to £94m compared with a book value of £37m.

Net debt fell from £56.9m to £8.7m.

Lex'a half share of off balance sheet debt in the leasing companies amounted to about £200m.

● COMMENT

Lex now claims to have the biggest UK dealership network, overtaking Inchcape and Octav Botnar's AFG. Yet a swathe of ambitions lie ahead of it, including the service chain started with the latest buy. Its aims on the dealership/leasing fronts echo those of T Cowie and they may be bumping up against each other as they scan the motor activities of much larger groups. Continued recovery in all parts of Lex's business, which hit bottom in 1991 when the dividend was cut, should more than compensate for losing the residue of the Volvo import profits. A pre-tax profit of £34m (assuming no lumpy deals) gives a prospective p/e of about 14. After outperforming the market by a third in the past six months, most of the good news is in the price.

Wehmiller expands to £3.21m

By Hugh Carnegy

REFLECTING improved operating margins, pre-tax profits moved ahead 42 per cent at Barry Wehmiller International, the packaging equipment manufacturer, in the half year to January 31.

Profits rose to £3.21m, compared to £2.25m, although turnover increased by a more modest 8 per cent, rising from £35.7m to £38.6m.

Mr Stewart Brown, chief executive, said the vision division, which makes bottle and package control scanners and the general packaging division had produced some growth, particularly in North and South America.

However, he said that overall there was little sign of sustained upturn in any of BWI's traditional markets

In the UK, continued slack demand for bottling and filling equipment from the dairy industry, which has bean undergoing restructuring, resulted in reduced returns from the food division.

Earnings per share were up from 3.9p to 5p while the interim dividend is unchanged at 2.4p.

BSG increases to £12m and plans £31m rights

By Paul Cheeseright, Midlands Correspondent

BSG INTERNATIONAL, the motor components, vehicle distribution, childcare products and aircraft interior equipment group, announced an 8 per cent increase in profits for 1992 together with a 1-for-4 rights issue to raise £31.4m to fund planned capital investment.

The pre-tax ontcome was £12m, compared with £11.1m, helped by a strong performance from its Australian component plants, healthy demand in Germany and a recovery in its car leasing and Birmingham dealer operations following rationalisation.

The rights issue, underwritten by Morgan Grenfell and brokered by Panmure Gordon, is priced at 62p, a discount of 19.5 per cent to the overnight market price of 77p.

Yesterday the shares closed at 70p.

The fund-raising comes against the background of capital spending plans for 1993 and 1994 of £34m.

Of this £12m will be spent on a mirror plant in the US and £7m on a Vauxhall dealership in Manchester and tha relocation of a Ford dealership in Cheltenham.

Without a rights issue to fund expansion, "gearing would have got out of hand; we needed it for future growth," said Mr Tom Cannon, managing director. Gearing at the end of 1992 was 49 per cent. Proceeds of the rights issue would have cut it at that time to 13.7 per cent.

Both BSG's capital expenditure and its research and development spending have been sustained through the recession. R&D costs, charged against trading profits, will be no less this year than the £8.9m spent in 1992.

Turnover was £555.1m, down from £569.8m, reflecting deterioration in trading in the final quarter, especially in the UK. However, so far this year there has been a slight imrpovement in orders across all sectors of the business, although Mr Cannon observed that problems with margins remained at LA Rumbold, the aircraft interiors company.

The final dividend is 2.5p, maintaining the total at 3.2p.

Although covered by earnings per share of 3.46p, against 3.32p, part of the cost will come from reserves following discontinued business charges of £1.9m taken below the line.

PUBLIC WORKS LOAN BOARD RATES

Effective March 23

Years	QUOTA LOANS* EIP†	A††	maturity
1			8
Over 1 up to 2	6½	8½	8½
Over 2 up to 3	6¾	6¾	6¾
Over 3 up to 4	6⅝	6¾	7⅛
Over 4 up to 5	6¾	6¾	7⅜
Over 5 up to 6	6⅞	6⅞	7⅝
Over 6 up to 7	7	7⅛	8
Over 7 up to 8	7⅛	7¼	8⅛
Over 8 up to 9	7¼	7⅜	8½
Over 9 up to 10	7⅜	7½	8⅝
Over 10 up to 15	8½	8⅝	9⅛
Over 15 up to 25	9⅛	9¼	9⅜
Over 25	9¼	9⅜	9⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

NEWS DIGEST

Sheffield Insulations jumps 95%

CONTINUING actions on costs and trading margins enabled Sheffield Insulations Group to offset a further significant fall in construction activity and hoist pre-tax profits by 95 per cent, from £1.51m to £2.95m, in 1992.

Turnover of the group, which supplies insulation products and services for energy conservation, was only slightly ahead at £133.5m (£132.1m), but price deflation masked a real increase in volume.

Further increases in market share were recorded in all businesses.

Earnings rose from 3.7p to 7.5p, while an unchanged final dividend of 3.9p makes a same-again total of 5.4p.

Bad debts, although 16 per cent below the 1991 level, remained high at over 1 per cent of sales. Gearing was slightly lower at 41 per cent (42 per cent).

Acorn Computer ahead to £1.31m

Acorn Computer Group, the USM-quoted electronics concern ultimately owned by Olivetti of Italy, announced a jump in pre-tax profits from £274,000 to £1.31m for 1992.

Tha company said that despite pricing and margin pressure across the industry, it managed to maintain strong gross margins which had been coupled with tight cost control.

Turnover improved from £40.9m to £43.2m, generating an operating profit of £1.53m (£1.08m). Acorn's share of loss in its related company, Advance RISC Machines Holdings, amounted to £16,000 (£102,000). Interest charges fell from £714,000 to £199,000.

Earnings came through at 2p (0.4p) per share.

Edinburgh Oil slides to £55,000

Edinburgh Oil & Gas, the USM-quoted exploration and production group, suffered a drop in net profits from £283,000 to £55,000 in the year to December 31.

Earnings fell to 0.32p (1.63p) per share. Turnover improved to £1.9m (£1.82m).

Sea Containers beats forecast

Sea Containers, the Bermuda-based cargo equipment and ferry group, beat its earnings per share forecast with a 4 cent rise to $2.35 (165p) for 1992.

For the final quarter the earnings figure of 28 cents compared with previous losses of 4 cents.

Total revenue for the year grew to $421m ($385m). Net income of $39.8m ($32.7m) was aided by an increased contribution of $33.3m ($25.5m) from marine container leasing.

Ferry and port income fell $4m to $16.2m. Leisure industries incurred a loss, but this was offset by profits from foreign exchange contracts and left profit from other activities of $400,000 ($4.9m).

The company said the results were about $1m greater than predicted due to year-end accounting adjustments.

Sharp decline at Arthur Wood

Pre-tax profits of Arthur Wood & Son (Longport), the Stoke-on-Trent maker of earthenware, beakers and terracotta teapots, fell from £261,431 to £76,852 for 1992.

The dividend for the year is cut from 4.1p to 1.5p. Earnings per share fell to 2.78p (9.28p).

Turnover totalled £3.34m (£3.7m). The directors said there was a high element of fixed costs in pottery manufacture and that any reduction in turnover had a "disproportionate effect on profits".

Downturn at Hay & Robertson

Hay & Robertson reported pre-tax profits reduced to £15,594 for the six months to November 30.

The decline from the comparable £21,494 came on turnover ahead to £365,141 (£240,997). Earnings per share emerged at 0.021p (0.029p) per share.

The textila merchant said that proceedings had begun in respect of its claim for "substantial" losses following the theft in transit of its 1992 spring range.

Ricardo hit by provision

The impact of a £650,000 property provision cut profits at Ricardo Group, a provider of engineering and technological services, from £1.21m to £875,000 pre-tax for the half year to December 31.

Turnover from continuing operations improved to £31.7m (£28.6m) and operating profits by 24 per cent to £1.77m.

Pre-exceptional earnings from continuing operations amounted to 3.09p (2.49p) per share. The interim dividend is maintained at 1.9p.

Richardsons West improves to £1.9m

Richardsons Westgarth, the steel stockholder and process-or, achieved a rise in 1992 pre-tax profits from £1.76m to £1.92m in an environment described as "generally hostile."

A final dividend of 1.75p makes a 3p (2.9p) total. The shares responded with an 8p rise to 77p.

Sales improved from £45.4m to £53.5m and included a seven months' contribution from Tipton Steel Stock Holders (Stoke).

Higher tax of £647,000 (£234,000) left earnings at 4.6p (5.9p).

Assuming a 33 per cent tax charge earnings per share amounted to 4.7p (4.5p).

Lincat sharply ahead at £549,000

Shares of Lincat Group, the USM-quoted catering equipment maker, improved 18p to 146p yesterday on news of a rise in profits from £108,000 to £549,000 pre-tax for the six months to end-December.

The interim dividend is lifted to 2p (1.8p) from earnings of 5.4p (1p). Interest charges were trimmed to £91,000 (£144,000) but tax took £135,000 more at £170,000.

Turnover expanded 26 per cent to £6.51m. Directors said the improvement in demand had started in 1992 and had continued.

Change of focus planned at Vizcaya

Vizcaya Holdings, the USM-quoted mining and exploration group, incurred a reduced pre-tax loss of £1.48m for the year to end-December.

The outcome compared with a deficit of £3.58m last time, and was struck after an exceptional write-down of £1.38m against the group's concession in the non-operational Coto Chomin mine. Tha previous year saw an exceptional debit of £3.41m.

Losses at the operating level amounted to £80,611 (£171,093). Losses per share worked through at 2.68p (8.7p).

Mr Desmond Bloom, chairman, said the group intended to reorganise and focus its activities on property investment.

Net assets rise at Thornton Pan-Euro

Net asset value of Thornton Pan-European Investment Trust rose from 29.48p to 32.29p over the 12 months to December 31. By February 28 the value had improved to 35.01p.

Net revenue for the year dipped to £181,532 (£220,962) for earnings of 0.91p (1.1p). An uncovered and maintained single distribution of 1p is recommended.

Frogmore expands property estate

Frogmore Estates is to acquire the issued capital and outstanding debt of Jaguar Properties for £15.8m in cash and shares. Jaguar's only asset is Harley House in London's Marylebone Road.

The mainly late Victorian residential property comprises six blocks containing 91 flats, 21 of which are vacant.

Lead losses grow as prices slip to 6½-year lows

By Kenneth Gooding, Mining Correspondent

NOT ONE lead producer in the world was making a profit at present market prices, said Mr Stephen Briggs, analyst at the Metals & Minerals Research Services consultancy group, after the metal fell on the London Metal Exchange yesterday to its lowest level for 6½ years.

In real terms, the price of lead had never been so low, he suggested. MMRS estimated that the average cost of producing refined lead was 23 or 24 cents a lb compared with yesterday's price of about 18 cents.

The lead market's problems, like those of many other metals, stem from a surge in exports from the former eastern bloc countries, particularly from Russia. These countries traditionally were net importers of lead. Statistics from the International Lead and Zinc Study Group indicate that net eastern bloc exports last year reached about 130,000 tonnes, more than double the 63,000 tonnes in 1991.

"Historically the lead market has always been roughly in balance, so this is a huge surplus for the metal," Mr Briggs pointed out.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, suggested there would be no let up in eastern bloc exports this year and "demand for lead remains uninspiring in all the metal's major consuming regions." About 65 per cent of refined lead is used in batteries and, while the US vehicle market was recovering, European demand was flat. He expected the 1993 lead supply surplus to remain about 150,000 tonnes.

Both Mr Briggs and Mr MacMillan said they expected some substantial production cuts before long. But Mr Briggs warned: "There will be no substantial price rise until we see a solid, sustained increase in demand".

Lead is still quoted in sterling on the LME and last night metal for delivery in three months closed at £275.50 a tonne, down another £2.

US boosts timber sales to Europe

By David Green in Richmond, Virginia

EXPORTS of US hardwood timber to Europe have risen sharply to $435m, an increase of 17 per cent last year. Latest figures released by the US Department of Commerce show that last year 25 European countries accounted for 45 per cent of US lumber exports.

Germany leads the European field, buying $80m worth of sawn timber, up from $53m in 1991. There were also increases in the value of lumber shipped to Italy, up 12 per cent, Belgium, up 8 per cent, the Netherlands, up 29 per cent, and Spain, up 31 per cent. Total US hardwood timber export receipts in 1992 amounted to $1.9bn, compared with $400m four years ago. Sawn timber exports accounted for $974m, up 13 per cent.

Exports now represent about 10% of all hardwood produced in the US.

Mr Michael Buckley, European director of the American Hardwood Export Council, said environmental pressures on timber sources elsewhere in the world were working in favour of the US. It had been able to demonstrate the existence of strict legislation and controls in harvesting hardwood, coupled with evidence of a long history of sustained yield management and regeneration.

Price provides catalyst for platinum cuts

Philip Gawith reports on the market pressures being felt by South African producers

TUESDAY'S announcement by Rustenburg Platinum, the world's largest producer, that it is cutting production by closing the Boschfontein shaft contained a predictable message in a surprise wrapping.

Predictable was the distress signal it conveyed on the part of South African platinum producers, who account for about 70 per cent of world annual supply. Declining profits forced both both Rustenburg and Impala, the second largest producer, to cut their dividends recently and platinum group metal prices have since trended even lower.

It was perhaps surprising, however, that Rustenburg, the most financially sound and cost-competitive of the main producers, should have moved first. If Rustenburg is feeling the strain, then the pressure must be more severe at Impala and Lonrho, the other large producers. Whereas Rustenburg has cash reserves of about R550m (£80m), Impala and Lonrho (in the form of Western Platinum and Eastern Platinum) have debts respectively of about R320m and R800m.

Rustenburg's announcement was the second piece of bullish news the market had received this week. Earlier Almazjuvelirexport, the Russian export agency for platinum group metals, had said it would be reducing shipments this year.

Impala is not planning, at this stage, to follow Rustenburg's lead. Mr Michael McMahon, executive chairman, said yesterday that "while current prices are a matter of serious concern, Impala is not about to follow the Rustenburg example". His company "sympathised entirely" with the pressures that had caused Rustenburg to act, noting that Impala had already faced tough decisions in the past with the closure of Messina and Barplats.

Lonrho is not thought to be contemplating a production cut.

Rustenburg's cut can be assessed on several levels. Most obviously, as Mr Barry Davison, managing director, has made clear, it will benefit shareholders because a loss-making shaft will be closed and cheaper metal purchased in the market to cover supply commitments. Also, the closure of Boschfontein fulfils the strategic aim of the JCI group – which also controls the Lebowa and PPRust platinum mines – to move further down the cost curve as expensive production at Rustenburg will be replaced with much cheaper productioo at PPRust when it comes on stream later this year.

Most important, however, is the message sent to the market. Although Mr Davison describes the production cut as a "statement of fact" rather than an attempt to move the price, he will clearly be hoping that it helps to restore equilibrium to a market he has described as being gripped by a "recessionary psychosis". Certainly the message from the market leader that it is cheaper to buy metal in the market than to produce it is a powerful one.

Both Rustenburg and Impala agree that a significant improvement in platinum group prices depends not so much on any actions they take as on a recovery in confidence in the metal. This, in turn, awaits the upturn in demand that should accompany a world economic recovery. Neither is sanguine about the short term outlook. Mr McMahon comments: "I think the glory days for platinum are some time away".

That said, both producers are keen to stress that the underlying supply/demand fundamentals for platinum group metals are quite sound.

"I really have no problem in selling every ounce we can produce," says Mr Davison. Both companies have sold all their production and the trend, if anything, is for customers to ask for more metal, not to seek to reduce contractual commitments.

Although optimistic about the medium and long term outlook for the metal, both Rustenburg and Impala are quick to refute suggestions that, like South Africa's gold industry of yesteryear, they are incorrigible bulls, unwilling to take hard decisions and close unviable shafts.

Mr McMahon comments: "Our view on current prices is that we will not just 'vasbyt' [hold tight], plough on regardless hoping that better days lie ahead. We will manage our operations so that they survive at current prices". He says that Impala does not have any shafts that are not covering cash costs, though some "aren't contributing the full whack to replacement capital".

Rustenburg's announcement makes clear that it is not willing to produce metal at a loss.

While the industry's current difficulties should not be underestimated they need to be kept in perspective. It is 12 years since weak markets last forced a cut in production by Rustenburg. But evidence of tough times in the industry has been around for some time already. This has been most obvious from action taken in the Impala stable where expansion plans have been drastically curtailed over the past two years, and the labour force has been cut by 17 per cent while maintaining existing production levels.

On the other hand, the platinum producers are still a far cry from the position facing marginal gold producers. Using rough figures Mr Dave Russell, analyst at stockbrokers Irish & Menell Rosenberg, says a typical platinum producer on Merensky reef is enjoying revenues of about R200 a tonne at present prices, compared with cash costs of R110 to R120 a tonne – still a comfortable margin.

Mr Russell does not expect a similar round of cuts to those in the early 1980s, when production fell by 15-20 per cent. He supports the producers in their view that though the price may be weak, the market is not. A further factor, stressed by Mr McMahon, is that there is no point in tinkering: if cuts do not extend to fixed costs, they are not worth making as revenue will decline without a commensurate fall in costs, leaving the financial situation worse than before. Having already cut deeply, Impala is clearly confident it has achieved the optimum fighting weight for prevailing market conditions.

Platinum was fixed at closed at $357.25 a troy ounce on the London bullion market yesterday afternoon, up $3.25 on the day. Dealers said the Rustenburg news was continuing to support the market, although it was being seen more as a powerful signal than anything else. "The news was good for $2 or $4, but there is some pretty stiff resistance at $358," said one dealer.

Finland's Outokumpu expands in Australia

By Kenneth Gooding

OUTOKUMPU, THE state-owned Finnish mining and metals group, is expanding its interests in Australia by earning a majority stake in the Panorama zinc project in the Pilbara region of Western Australia.

Shareholders in Sipa Resources, the small Australian company that owns the project, are expected to give approval today for Outokumpu Zinc to earn 60 per cent of Panorama by speeding A$5m on exploration in the next two years and then producing a bankable feasibility study. At the same time, Outokumpu Zinc will buy A$1.6m (£760,000) worth of Sipa shares, which will take the Finnish group's stake from 14 per cent to 19.9 per cent.

Outokumpu Zinc operates Tara in Ireland, the biggest zinc-lead mine in Europe, as well as an electrolytic plant in Finland. The company has been interested in Panorama for some time and originally took a shareholding in Burmin Exploration, a Dublin company, which owned 39 per cent of the project. This stake had reached 25 per cent by the time Sipa recently merged with Burmin in order to gain control of 100 per cent of Panorama. Sipa also bought the remaining 10 per cent from Guardian Resources.

The Panorama project covers 3,000 square km (1,150 square miles) and Mr Michael Doepel, Sipa's managing director, says the A$4.5m spent on exploration so far has been rewarded with the discovery of eight deposits.

"We have a base metals province which we hope will match some of the big provinces in Canada," he adds.

There is a long way to go, however. After two more years of exploration, some A$15m to $20m will have to be spent in the next two to three years for the feasibility study. Construction of a mine would cost about A$200m and Outokumpu would be responsible for finding all the project finance.

The Outokumpu group's other Australian interests include 100 per cent of the Forrestania and 35 per cent of the Honeymoon Well nickel projects in Western Australia, as well as 24 per cent of Lady Loretta and 25 per cent of Thalanga, two base metals projects in Queensland.

Russian gold exploitation plan shelved

By Leyla Boulton in Moscow

PLANS FOR a tender for Russian companies to exploit the country's largest hard-rock gold deposit have been put on ice.

The sacking of Mr Yuri Nozhikov, governor of the Irkutsk region, announced by President Boris Yeltsin on Saturday, means that the State Geology Committee must now wait for a new administration before renewing its attempts to organise the tender.

But Ms Louise Moore, representative of Star Technology Systems of Australia, maintains that a joint stock company her company has formed with Lenzoloto, a Siberian state-owned gold producer, has exclusive rights to exploit the deposit.

She says she expects Mr Viktor Chernomyrdin, the prime minister, to order previously secret information oo the reserves to be declassified so that Star can pay the first $20m instalment of its $250m investment in the project. Ms Moore says declassification is a condition set by Star's banks to release the money raised for the project.

But the State Geology Committee wants to see the partners' business plan before it grants a licence and before the information about reserves can be declassified. Star argues that it does not need a licence because documents were confirmed at local level.

The project, which would be the first to allow foreigners into Russia's undercapitalised gold industry, has been the subject of a long-running controversy, with parts of the Russian administration opposed to letting a small Australian company have access to such a prize without competition. Lenzoloto and Star maintain, however, that their joint stock company has already been approved by the State Property Committee and that the state is not providing Lenzoloto with the support it needs to pay workers and continue construction work for the development of Sukhoi Log. Star is also going to develop alluvial gold deposits on the site.

Indian investment board clears bauxite growth plan

By Kunal Bose in Calcutta

INDIA'S PUBLIC Investment Board has cleared a proposal by the government-owned National Aluminium Company (Nalco) to expand the bauxite mining capacity from 2.4m tonnes to 4.8m tonnes and alumina refining from 800,000 tonnes to 1.35m tonnes. But it has put on hold the proposed 50 per cent capacity expansion of Nalco's aluminium smelting to 345,000 tonnes.

The PIB decision has been influenced by two factors. First, domestic demand for aluminium falls far short of the Industry's total production capacity of 610,000 tonnes; and second, Indian power costs are high. India has, however, an abundant supply of rich bauxite and low manpower cost for producing alumina.

All the additional production will be earmarked for export.

For the expansion of the mines and alumina refinery at Koraput in Orissa, Nalco will be using technology from Aluminium Pechiney of France, its original collaborator.

The big alumina export boost will come in the next four years when three export oriented refineries of a combined capacity of 2.9m tonnes are commissioned – all in Orissa, which accounts for 1.5bn tonnes of metallurgical grade bauxite out of India's total reserve of 2.44bn tonnes.

Norway's oil investment 'set to peak this year'

By Karen Fossli in Oslo

INVESTMENT IN Norway's offshore oil and gas industry will peak this year at NKr51bn ($4.56bn), a 17 per cent increase over 1992, and NKr209bn is expected to be invested over the next five years, according to a report soon to be issued by Edinburgh-based oil analyst Wood Mackenzie.

This year, the Norwegian state, through its direct financial interest and Statoil, the state oil company, will be the major investor, with capital expenditure of an estimated NKr32bn, or 63 per cent of the total. The report says the state's financial return will move from a relatively weak position in the early to mid-1990s . . "to be generating over NKr40bn per annum," late in tha decade, 75 per cent greater than combined oil companies' cash flows. "There are several companies. . . which will have negative cash flows until the mid to late 1990s," the report says.

WoodMac says investments in fields in production peaked in 1986, but substantial expenditure is expected to be made on several fields, notably Ekofisk, where some NKr10bn may be spent in the mid-1990s on a major upgrading of the ageing facilities, where at least one new platform may be required.

Expenditure only on fields under development will peak this year at about NKr37.7bn, while expenditure on probable developments is expected to ensure an annual investment level of NKr25bn in the mid to late 1990s, says WoodMac.

However, the analyst says that several of Norway's current field development projects have been characterised by a series of cost over-runs and delays. Higher costs, estimated at NKr2bn, have arisen on the Sleipner East project because ofdue to tbe sinking of the original platform, while Increases have ocurred on the Troll, Draugen, Heidrun and Sleipner West fields because of design changes.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta COFFEE futures closed higher, with the May contract ending at $898 a tonna. Traders had put a $900 target on May, and tha market got within $1 of that in late trade. The continuing ICO council talks on a new International agreement were ignored, although traders noted that volume would remain relatively light until the meeting ended. Some store was put on a latter from US President Bill Clinton to his Colombian counterpart on the coffee pact. But it was the reflection of chart-inspired buying in New York which really encoureged business in London.

COPPER came under pressure on the LME from disappointed liquidation, extending three-month metal's decline below $2,200 a tonne against a background of reduced concern over Chilean supplies as the possibility of strike action at Chuquicamata faded. New York raw SUGAR prices were mixed at midday as the market sought signs of the next move. Traders said the market continued to be prone to volatile swings after hitting a three-year high of 12.53 cents a lb on Monday.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.22-6.24u	+.265
Brent Blend (dated)	$18.61-8.53u	+0.29
Brent Blend (May)	$18.66-8.66	+0.29
W.T.I (1 pm est)	$20.23-0.27u	+0.37
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$200-202	+2.5
Gas Oil	$177-178	
Heavy Fuel Oil	$76-77	
Naphtha	$171-173	+2.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)‡	$331.45	-0.3
Silver (per troy oz)‡	367.5c	+1
Platinum (per troy oz)	$357.25	+3.25
Palladium (per troy oz)	$108.65	+2.8
Copper (US Producer)	101.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	N/A	
Tin (New York)	265.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight†	131.78p	-1.14*
Sheep (live weight)†♣	128.58p	+14.3*
Pigs (live weight)†	88.47p	-2.81*
London daily sugar (raw)	$287.5	-11.5
London daily sugar (white)	$294.5	-7
Tate and Lyle export price	£307.0	-8
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	62.50p	
Rubber (May)♥	63.00p	
Rubber (KL RSS No 1 Feb)	220.0m	
Coconut oil (Philippines)§	$415.0y	-7.5
Palm Oil (Malaysian)§	$410.0x	
Copra (Philippines)§	$275	
Soyabeans (US)	£180.0	+2.5
Cotton "A" Index	60.90c	-0.6
Wooltops (64s Super)	385p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-May/Jun u-May. x-Apr. ¶London physical. §CIF Rotterdam. ‡ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
May	257.00	263.00	262.00	
Aug	267.00	273.00	273.00	
Oct	248.00	248.00	247.00	
White	Close	Previous	High/Low	
May	300.50	303.40	300.50	295.00
Aug	305.00	306.00	303.80	299.00
Oct	286.00	286.00	286.20	282.00
Mar	284.00	284.40	281.50	279.00
May	286.00		284.20	281.50
Aug	292.00		286.00	

Turnover: Raw 13 (41) lots of 50 tonnes. White 1751 (909) Paris- White (FFr per tonne): May 1653.14 Aug 1710.04

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
May	18.68	18.49	18.70	18.60
Jun	18.75	18.56	18.75	18.65
Jul	18.70	18.54	18.74	18.63
Aug	18.75	18.55	18.75	18.64
Sep	18.75	18.57	18.75	18.64
Oct	18.77	18.57	18.77	18.68
Nov	18.72		18.72	
Dec	18.72	18.60	18.72	
IPE Index	18.40	18.46		

Turnover 18396 (28094)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Apr	174.50	174.50	176.75	173.50
May	172.00	171.00	173.00	171.25
Jun	171.50	169.75	172.00	170.50
Jul	172.25	170.75	172.50	171.25
Aug	174.00	173.00	174.25	173.50
Sep	176.25	175.00	176.25	175.25
Oct	178.75	176.75	178.50	178.00
Nov	180.75	178.50	180.00	
Dec	182.25	180.00	182.50	
Jan	181.75	179.75	182.25	

Turnover 14853 (10221) lots of 100 tonnes

WOOL

Although offerings in Australia this week are the lowest of any week so far this season, prices have continued to ease gradually. The market indicator up to March 24 was 6 cents lower than at the end of last week, the national basis being 434 cents. a kg., a new low point for the season. The slide downwards continued despite continuing heavy withdrawals during or prior to each sale, as growers attempt to resist lower prices and hope for better conditions later. All statistical evidence at present makes a forecast of wool market strength highly tentative.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	685	677	678	675
May	694	684	694	680
Jul	706	695	705	695
Sep	718	708	717	707
Dec	738	730	737	727
Mar	757	748	756	746
May	771	763	769	765
Jul	783	776	780	
Sep	798	786	796	
Dec	822		819	

Turnover: 2330 (3320) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Mar 23 694.05 (696.44) 10 day average for Mar 24 696.74 (699.34)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Mar	920	925	915	915
May	898	881	899	886
Jul	869	854	870	858
Sep	882	867	877	873
Nov	895	878	890	885
Jan	905	890	901	895

Turnover:2471 (2345) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Mar 23: Comp. daily 54.18 (54.39) 15 day average 55.31 (55.46)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	39.2	39.3	39.0
May	41.6		41.0
Apr	93.3	93.0	92.0

Turnover 202 (29) lots of 20 tonnes.

SOYABEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	-	140.00	-

Turnover 0 (90) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Mar	1500	1500	1500	
Apr	1460	1454	1460	1450
May	1414	1416	1415	1410
Jul	1263	1262	1265	1259
Oct	1370		1372	1370
BFI	1492	1485		

Turnover 227 (98)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
May	143.00	142.00	143.00	142.25
Jun	144.00	143.50	144.00	143.50
Sep	109.00		109.00	108.25
Nov	111.00	110.10	111.00	110.45
Jan	114.00		114.00	113.50
Barley	Close	Previous	High/Low	
May	138.40	-	138.40	137.65
Sep	107.00	-	107.00	106.75
Nov	110.00	-	110.25	109.80

Turnover: Wheat 67 (58), Barley 88 (96). Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Sep	108.5	105.5	105.0

Turnover2 (6) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)	
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 28,386 lots
Cash	1150.5-51.5	1152.5-53.5	1150.5	1150.5-51		
3 months	1173-73.5	1176-77	1177/1171	1173.5-74	1171-71.6	157,813 lots
Copper, Grade A (£ per tonne)					Total daily turnover 79,973 lots
Cash	1459.5-60.5	1467.5-68.5	1469/1468.5	1469-68.5		
3 months	1481-82	1490-90.5	1491/1477	1491-81.5	1481-81.5	158,159 lots
Lead (£ per tonne)					Total daily turnover 2,626 lots
Cash	265.5-66.5	267.5-68.5		266-67		
3 months	275-79	277-79	280/275	275-77	275-78	20,360 lots
Nickel ($ per tonne)					Total daily turnover 6,928 lots
Cash	5985-6105	6025-35		6015-20		
3 months	6065-70	6085-100	6105/6050	6060-62	6053-55	41,075 lots
Tin ($ per tonne)					Total daily turnover 2,434 lots
Cash	5720-30	5720-30		5720-25		
3 months	5785-90	5780-85	5790/5780	5780-85	5790-95	8,679 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 6,531 lots
Cash	996-97	996-97		994-95		
3 months	1015-15.5	1016-17	1016.5/1013.5	1014-14.5	1012-13.5	86,819 lots

LME Closing £/$ rate: SPOT: 1.4828 3 months: 1.4727 6 months: 1.4647 9 months: 1.4570

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	331.30-331.60	
Opening	331.00-331.40	
Morning fix	331.30	223.519
Afternoon fix	331.00	223.398
Day's high	331.40-331.70	
Day's low	330.50-330.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.57	6 months	2.46
2 months	2.50	12 months	2.48
3 months	2.49		

Silver fix	p/troy oz	US cts equiv
Spot	246.80	365.40
3 months	250.45	368.20
6 months	245.00	371.15
12 months	260.80	377.50

GOLD COINS	$ price	£ equivalent
Krugerrand	331.00-334.00	223.00-225.00
Maple leaf	341.25-343.50	-
New Sovereign	79.00-82.00	53.00-55.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	34	64	3	8
1150	14	46	6	15
1175	4	31	20	28
Copper (Grade A)	Calls		Puts	
2100	76	108	3	18
2150	36	73	10	34
2200	11	46	34	57
Coffee	May	Jul	May	Jul
850	61	56	13	37
900	31	35	33	65
950	14	21	66	102
Cocoa	May	Jul	May	Jul
725	7	29	39	49
750	3	21	60	68
775	1	15	83	85
Brent Crude	May	Jun	May	Jun
1550	39	62	28	45
1600	18	40	54	
1650	6	24		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	332.5	331.9	0	0
Apr	332.7	332.3	332.9	331.0
May	333.5	333.0	0	0
Jun	334.2	333.7	334.6	332.3
Aug	335.5	335.0	335.8	333.9
Oct	337.0	336.5	0	0
Dec	338.5	338.0	338.8	336.5
Feb	340.1	339.5	0	0
Apr	341.7	341.0	341.8	341.8

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	360.9	359.3	362.0	359.0
Jul	357.9	367.6	359.5	357.8
Oct	356.9	357.3	358.0	356.0
Jan	356.8	356.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	367.8	364.6	368.0	0
Apr	368.3	365.2	0	0
May	369.3	366.2	369.5	364.5
Jul	371.7	368.6	372.0	367.0
Sep	374.1	371.0	375.0	372.5
Dec	377.8	374.6	378.5	373.0
Jan	378.0	375.0	0	0
Mar	381.4	378.4	381.0	379.5
May	383.9	380.9	0	0
Jul	386.6	383.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	96.45	97.20	97.05	96.40
Apr	96.60	97.25	96.75	96.40
May	97.00	97.70	97.50	96.70
Jun	97.35	98.05	0	0
Jul	97.85	98.35	98.10	97.40
Aug	97.90	98.65	96.95	96.05
Sep	98.25	98.85	98.70	98.20
Oct	98.35	99.10	0	0
Nov	98.60	99.35	0	0
Dec	98.90	99.65	99.50	99.00

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
May	20.29	20.03	20.30	20.15
Jun	20.34	20.12	20.37	20.23
Jul	20.39	20.16	20.40	20.29
Aug	20.41	20.23	20.44	20.33
Sep	20.38	20.23	20.40	20.39
Oct	20.39	20.22	20.37	20.30
Nov	20.41	20.21	20.35	20.32
Dec	20.41	20.21	20.37	20.37
Jan	20.39	20.20	20.34	20.24
Feb	20.16	20.16	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Apr	58.10	58.11	58.30	57.40
May	56.45	56.26	56.60	56.10
Jun	55.60	55.28	55.70	55.25
Jul	55.65	55.33	55.75	55.30
Aug	56.05	55.68	56.20	56.00
Sep	57.00	56.66	57.05	56.80
Oct	57.86	57.86	0	0
Nov	58.90	58.76	58.90	58.90
Dec	59.90	59.66	59.85	59.60
Jan	60.25	60.11	60.25	60.10

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	897	880	904	890
Jul	918	905	928	918
Sep	944	929	950	940
Dec	981	967	989	977
Mar	1012	998	1015	1011
May	1033	1019	1038	1039
Jul	1051	1037	0	0
Sep	1073	1058	0	0
Dec	1103	1089	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	62.40	61.50	63.40	61.50
Jul	64.20	63.20	65.00	63.40
Sep	65.80	64.90	66.60	65.10
Dec	68.45	67.35	69.00	67.90
Mar	70.70	69.65	71.10	70.80
May	72.40	71.55	72.40	72.40
Jul	73.65	72.90	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	11.66	11.78	11.00	11.48
Jul	11.98	12.18	12.16	11.85
Oct	11.10	11.04	11.23	10.93
Mar	10.24	10.19	10.35	10.15
May	10.24	10.20	10.30	10.20
Jul	10.24	10.20	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
May	61.21	61.10	61.60	60.86
Jul	62.10	62.12	62.50	61.86
Oct	62.06	62.00	62.35	62.00
Dec	61.07	61.02	61.35	60.92
Mar	62.03	62.00	62.30	62.20
May	62.62	62.75	0	0
Jul	63.07	63.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	83.20	85.60	84.95	83.00
Jul	86.25	87.50	87.25	85.60
Sep	89.50	90.45	89.80	88.50
Nov	91.50	92.85	92.50	91.50
Jan	93.75	95.00	94.75	93.50
Mar	94.50	96.05	96.00	96.00
May	94.50	96.05	0	0
Jul	94.50	96.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Mar.24	Mar.23	mnth ago	yr ago
1758.5	1784.5	1768.9	1616.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar.23	Mar.22	mnth ago	yr ago
Spot	128.86	128.63	125.87	117.91
Futures	130.15	131.33	126.14	121.93

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	592/2	591/4	592/6	589/4
Jul	598/0	596/6	598/4	595/0
Aug	600/2	599/0	600/4	596/0
Sep	602/0	599/6	602/2	599/4
Nov	607/2	604/6	607/4	603/4
Jan	614/4	612/2	614/4	611/2
Mar	621/4	619/6	621/4	618/4
May	625/0	623/4	625/0	622/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	21.31	21.27	21.34	21.17
Jul	21.56	21.61	21.57	21.41
Aug	21.62	21.56	21.66	21.50
Sep	21.67	21.62	21.70	21.59
Oct	21.73	21.67	21.75	21.63
Dec	21.92	21.81	21.92	21.72
Jan	21.96	21.82	21.96	21.83
Mar	22.10	21.95	22.10	22.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	185.0	184.3	185.2	184.2
Jul	186.7	185.9	186.8	185.8
Aug	187.8	186.9	187.8	186.8
Sep	188.8	167.9	188.8	167.9
Oct	189.5	189.1	190.8	188.9
Dec	192.1	191.5	192.1	191.4
Jan	192.4	191.7	192.9	192.3
Mar	193.1	192.0	193.7	192.8

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	228/6	227/4	229/0	228/6
Jul	235/4	234/4	235/6	233/4
Sep	239/6	238/4	240/0	238/2
Dec	246/0	244/2	246/2	244/0
Mar	252/2	250/6	252/2	250/4
May	256/2	254/6	256/2	255/0
Jul	259/4	258/2	259/4	258/0
Dec	250/0	250/0	250/4	248/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	347/4	340/0	348/0	340/4
Jul	307/6	305/6	308/6	305/0
Sep	310/0	308/6	311/0	308/4
Dec	318/0	317/0	319/2	317/0
Mar	322/0	321/0	322/0	321/0
Jul	313/0	311/0	313/0	311/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	82.725	83.425	83.600	82.525
Jun	76.200	76.450	76.800	76.050
Aug	72.825	73.625	73.650	72.750
Oct	72.700	73.250	73.550	72.650
Dec	72.825	73.200	73.450	72.800
Feb	72.250	72.375	72.800	72.250
Apr	73.250	73.675	74.000	73.250

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	49.450	50.825	00.375	49.400
Jun	54.100	55.125	54.900	53.925
Jul	52.100	53.525	53.200	52.050
Aug	49.525	50.850	50.400	49.350
Oct	44.575	45.675	45.500	44.525
Dec	44.950	45.775	45.700	44.850
Feb	45.400	45.800	45.450	45.300
Apr	43.825	44.450	44.100	43.925

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	50.400	52.400	0	50.400
May	50.825	52.925	51.550	50.825
Jul	51.700	53.700	52.500	51.700
Aug	48.200	51.200	50.000	48.200
Mar	48.000	50.000	0	48.000

LONDON STOCK EXCHANGE

Equities hold steady in hefty turnover

By Terry Byland,
UK Stock Market Editor

ANOTHER large corporate share placing, in the form of a bought deal in the construction and building sector, was comfortably taken yesterday by a UK stock market also tested by a batch of less than favourable trading reports from leading British companies. Equities were held back for most of the session by hints of impending US selling of British Petroleum and of the pharmaceutical stocks. But early dealings on Wall Street saw the Dow 10 points higher, and share prices steadied in London to show very little change on the session.

Trading volume remained high but this reflected a combination of tax-related dealing and activity in selected heavyweight blue chip stocks. Dealers maintained that any selling prompted by the Budget measures on Advance Corporation Tax has been completed. SmithKline Beecham yesterday joined the growing list of UK companies to increase dividend payment because of tax measures in the Budget.

The day's Seaq total of 833.5m shares was also swollen by a placing of a 29 per cent stake in George Wimpey, the housing and construction group, by way of a bought deal in the market. The deal was regarded as a further sign that there is a ready market among institutions for large lines of good class stocks at close to current market levels. Retail, or customer, business in equities, which had shown signs of flagging, recovered on Tuesday to record a value total of 1.35bn.

Equities were unsettled in early deals when Lasmo, the North Sea energy group, announced a savage cut in its dividend payment, apparently taking by surprise recent buyers of the shares. There was little encouragement from the rest of the day's list of corporate trading statements. Figures from Kingfisher, the UK high street retailer, had been largely disclosed at the time of the announcemsnt of ths planned merger with Darty of France.

At the final reading, the FT-SE Index was a mere 0.5 off at 2,860. The fall of just over 2 per cent since the Budget is much in line with expectations, especially in view of the absence of a base rate cut. Strongly expressed rejections of hopes for another early cut in base rates by Mr Norman Lamont, the UK chancellor of the exchequer, hava been taken to heart in the equity market. Further progress by equities is expected to depend upon a flow of convincing indications that the domestic economy is on the road to recovery.

Strategists said that there was a "much better feeling" in the stock market this week as share prices appeared unaffected by the Budget changes in dividends on overseas earnings of UK companies, by successful placings of blocks of shares and the evident success of the recent rights issues which had overshadowed sentiment previously. Yesterday it was announcedthat the rights from Trafalgar House had received 89 per cent take-up.

However, there was some nervousness in the pharmaceutical sector following a further bearish statement from one of the leading names in the US industry. The heavily-weighted drug stocks, which feature in virtually all investment fund portfolios, have shown a somewhat mixed performance since the rest of the London market began to rise in mid-September, when sterling quit the ERM network.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	12,000	71¼	-1
Abbey National	2,100	388	-3
Albert Fisher	3,900	73	
Allied-Lyons	1,500	589	
Amstrad	1,300	36	-½
Anglian Water	1,200	535	-3
Argos	633	308	-1
Argyll Group	3,500	344	+1
Arjo Wiggins	1,700	179	+8
Ass. Brit. Foods	526	485	
Ass. Brit. Ports	730	403	-5
BAA	851	785	-6
BAT Inds.	2,900	[illegible]	-6
Courtaulds	466	582	+1
Dalgety	208	473	-6
De La Rue	805	874	-3
Dixons	2,500	225	+2
Eastern Elect.	552	479	-2
East Midland Elect.	172	482	+2
Eng China Clays	836	475	
Enterprise Oil	1,800	502	
Eurotunnel Units	109	475	-4
FKI	2,000	129	+1
Fisons	2,200	201	-3
Foreign & Col. I.T.	1,100	224	
Lonrho	1,100	91	-1
Lucas	767	139	-1
MB Caradon	1,700	317	-5
MEPC	437	397	-6
Manweb	146	536	
Marks & Spencer	1,900	293	+2
Midlands Elect.	192	501	
Morrison (Wm.)	446	100	+1
NFC	360	391	+2
NatWest Bank	2,300	422	-1
National Power	2,700	324	-2
Next	482	165	-1½
Shell Transport	3,300	569	-2
Siebe	1,200	449	-11
Slough Ests	244	185	-5
Smith (W.H.) A	443	424	-5
Smith & Nephew	4,400	158½	+1
SmKl Beecham	4,100	416	-12½
SmKl Beecham Uts.	2,800	369	-11
Smiths Inds.	381	336	-1
Seeboard Elect.	586	481	-3
South Wales Elect.	284	549	-5
South West Water	757	541	-5
South West. Elect.	384	511	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Mar 15	Mar 29	Apr 19
Option Declarations:		
Mar 25	Apr 15	May 6
Last Dealings:		
Mar 26	Apr 16	May 7
Account Day:		
Apr 5	Apr 26	May 17

*New time dealings may take place from 8.30am two business days earlier.

US gloom hits drug sector

THE PROFITS warning issued overnight by Merck, the world's largest pharmaceuticals group, the third such warning by US drug companies in the past week, brought an abrupt halt to the one-day rally in the UK drug sector.

Drug shares in London rose strongly on Tuesday as institutions took the view that recent heavy selling of stocks such as Glaxo and SmithKline Beecham, triggered by fears of a drugs price freeze in the US as well a series of damaging individual company stories, had been overdone.

But yesterday's news from Merck was seen by UK market specialists as indicating fundamental problems with the drugs industry in the US. "This really is bad news, Merck is the star performer in the world drugs business," said one international analyst. Merck said first half earnings would be "badly affected" by competition in the US, by healthcare measures expected there soon and by foreign-currency pressures.

Glaxo, buffeted in recent weeks by a series of worrying developments, including the resignation of Mr Ernest Mario, the former chief executive, and criticism of its claims for its Zantac anti-ulcer drug, dropped 17 to 597p, on heavy turnover of 7.8m shares. Newspaper reports of a much cheaper antibiotics ulcer treatment also affected the shares. SmithKline Beecham fell 12½ to 417p with 3.7m shares traded. Wellcome, scheduled to report interim figures this morning, closed 20 lower at 890p.

Lasmo shock

The savaging of the final dividend and extent of the write-offs at Lasmo, the oil exploration and production group, shocked the stock market, triggering the biggest-ever single day's trade in the shares and a hefty 10 per cent decline in the stock price.

The market had braced itself to expect bad trading news and a possible reduction in the dividend. But most of all analysts expressed surprise with the size of the dividend cut and the write-offs. "Looking at the numbers and attending the post-results meeting was a numbing experience," said one specialist. He said that "if a potential predator decided to launch a bid for Lasmo it would, certainly in the short term, encounter very little opposition among institutions which are now extremely disillusioned."

Another analyst, adopting a slightly more generous view, spoke of the analogy with BP, in that Lasmo had "thrown all the bad news in and that from now on things could only get better." However, Mr John Toalster, one of the oil sector's most aggressive bears, said of Lasmo: "It's now revealing the extent to which it has been disaster prone; overstating the oil price; overstating reserves; overvaluing assets; overpaying on dividends and underestimating costs; sell the shares down to 145p." At the close Lasmo were 19 down at 173p with turnover reaching a record 22.5m shares.

Carlton wanted

A positive round of presentations, together with technical corrections, benefited Carlton Communications, shares in the media group jumping 27 to 748p. Turnover was a good 3.1m. UBS Phillips and Drew were said to be positive, arguing that fears of new technology hitting its video duplication business had been overdone. The broker also emphasised Carlton's product arm where sales of the Qantel video component system are thought strong.

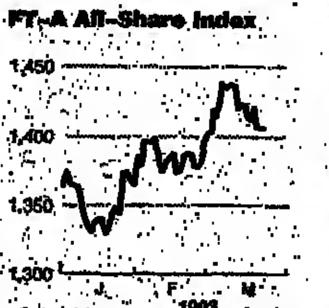
Goldman Sachs also lifted its profit forecast after seeing the company, moving up £5m to £128m this year, and by £3m to £155m for 1993. However, media specialists also pointed out that the stock had fallen back in recent weeks and was due a recovery.

Wimpey deal

There was no great surprise at the placing of the majority of the Grove Charity Management stake in George Wimpey, the housebuilder and contractor. The charity's stake has long been viewed by some of the more aggressive securities houses as ripe for placing. Yesterday SG Warburg Securities and Cazenove, Wimpey's broker, jointly disposed of a 29 per cent block of Wimpey shares, via bought deal, leaving the charity with a 5.5 per cent stake in the building company.

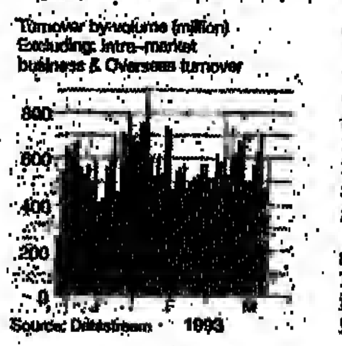
Warburg and Cazsnove bought the stake of some 84.3m shares at 131p and placed them with institutions at 132½p a share. The two firms shared a

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



Source: Datastream

£1.2m profit in the process.

Wimpey shares settled 4 lower at 140p. Turnover reached 206m shares.

BT was among the five most actively traded stocks in the market, the shares closing 13 higher at 419p on turnover of 10.7m. NatWest Securities was an aggressive buyer of the stock, anticipating a positive news flow as the sale of the government's remaining 21.8 per cent stake looms up in the summer. The broker said "with a good experience in BT 2, and a high savings ratio, the retail market is likely to be attracted to a substantial part of the offer, keeping institutions underweight and aiding the BT price."

NatWest also said it is not convinced that BT is the only potential buyer of EDS, the US computer services group, a move which hasd acted as a BT share price negative. NatWest forecast BT will grow its earnings per share by an average 20 per cent in the next two years, against a UK market average of 16 per cent and the dividend by 10 per cent, against the market's 6.5 per cent.

Continued fears of increased competition in the domestic beer market hurt Whitbread, off 6 at 472p.

Favourable comment on its purchase of the Sutcliffe catering group on Tuesday lifted Granada, up 6 at 390p. Thorn-EMI weathered a UBS Phillips and Drew downgrade, the broker bringing its forecast down to the more median of market forecasts. The shares lifted 12.5p to 877p.

A share squeeze, following an upbeat analysts visit to engineering group VSEL, saw the shares move sharply ahead by 60 to 645p. Mr Clive Forres-Hen-Walker at Charterhouse Tilney said: "Despite the recent difficulties in the defence market, the company has both strong profits and cash generation prospects."

Worries about the accountancy practices at both TI Group, and Siebe, hit the shares of the only two engineering companies represented in the FT-SE 100. The former shed 3 to 302p, while the latter lost 11 to 449p.

Nervous trading in Vickers saw the shares surrender 5 to 120p, ahead of next week's closing date for the company's £60.5m rights issue.

Among motor stocks, the market continued to take a negative view on BBA Group which announced a £125.9m rights issue on Tuesday and the shares eased 4 to 166p. Yesterday it was the turn of components group BSG International to join the rights issue trail as it declared an improvement in full year profits. The shares retreated 8 to 69p. The market was cheered by the bumper profits and acquisition by Lex Service from Lucas Industries. Lex jumped 16 to 335p, while Lucas closed a penny off at 139p. Conglomerate Trafalgar House, hardened 1½ to 77p, after reporting an 89 per cent take up of its rights issue. It is expected that the outstanding shares will be taken up by Hongkong Land.

Results from Kingfisher caused few surprises, the headline figures having been indicated at the time of the Darty deal, the French electrical retailer bought last month. However, fresh news on B&Q, Kingfisher's DIY arm, did provide some lift to the shares and subsequently depressed other home improvement groups, Boots and WH Smith. Sales at B&Q in December and January were said to be up 16 per cent, with the subsidiary embarking on a new aggressive sales drive for Easter. In contrast, Boots and Smiths have had to make provisions in their most recent figures for the loss-making subsidiary, Do It All.

Kingfisher shares, aided also by an upbeat post-results meeting, put on 3 to 542p in turnover of 2.4m. Boots slipped 10 to 506p in volume of 2.5m.

Dealers attributed the fall in Unilever to cautious comments from Swiss food group Nestle on the outlook for the European food business with its results announcement yesterday. The shares shed 10 to 1194p. BZW were said to be keen on Cadbury-Schweppes, up 8 at 488p. Nomura and Smith New Court were positive on Northern Foods, ahead 5 at 274p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 21.

FINANCIAL TIMES EQUITY INDICES

	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18	Year ago	High	Low
Ordinary share	2235.4	2238.2	2242.5	2268.6	2247.3	1929.9	2299.5	1670.0
Ord. div. yield	4.40	4.39	4.39	4.34	4.38	4.68	5.34	4.23
Earning yld % full	6.16	6.17	6.14	6.05	6.10	6.80	-	-
P/E ratio net	20.14	20.19	20.29	20.63	20.45	19.26	22.01	15.79
P/E ratio nil	18.71	18.76	18.83	19.05	18.88	18.14	-	-
Gold Mines	104.8	105.7	106.3	101.2	97.9	121.3	180.6	80.0

*for 1992/93. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2238.4	2236.5	2226.4	2235.4	2230.9	2232.9	2233.3	2230.8	2235.8	2241.0	2224.8

Volume	Mar 24	Mar 23	Mar 22	Mar 19	Mar 18	Year ago
SEAQ Bargains	36,785	39,577	38,035	37,797	33,613	26,488
Equity Turnover(£m)†	-	1348.7	1033.2	1545.8	1469.7	922.3
Equity Bargains†	-	45,790	42,799	42,967	38,438	30,741
Shares traded (mil)†	-	611.4	481.4	709.3	632.3	404.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (79). [illegible] Pittencrieff, OTHER FINCL (9) Burlington, Govett, Lon. Finance, Lon. Scottish, Provident Fincl., Smith New Court, OTHER INDLS (1) Hewitt, PACKG, PAPER & PRNTG (3) Carnaud Metalbox, Hunters Armley, PROP (9) Billion, Cap. & Regional, Hambros Countryside, Helical Bar, Land Secs., Lon. Merchant Secs. Dfd., Molyneux, Town Centre, Wood (JD), TEXTS (2) Baird, Ingham, TRANSPORT (2) Dawson, Mersey Docks, MINES (1) St Barbara.
NEW LOWS (9).
HEALTH & HSEHOLD (2) Glaxo, Hospital Corp., INV TRUSTS (3) M & G Dual Inc., M & G Inc., SPLIT Inc., OIL & GAS (1) Ranger, TEXTS (1) Foster (J), TRANSPORT (1) Vard.

EQUITY FUTURES AND OPTIONS TRADING

MID-SESSION bargain hunting helped bring about a recovery in stock index futures after an initial decline in an otherwise featureless derivatives sector, writes Joel Kibazo.

The June contract on the FT-SE 100 started trading at 2,869 and was driven lower on lack of demand and sporadic selling, mainly from independent traders. It had fallen to the day's low of 2,855 by mid-morning.

That level appeared to provide some resistance and after a further bout of sideways trading, bargain hunters helped bring about a recovery in the June contract. The buying was encouraged by the firm performance in the fixed interest markets. The session's high of 2,879, was reached just before the official close.

The June contract,however, came off the top to finish at 2,873, 3 ahead of Tuesday's close and at a slight discount to the underlying cash market. In contrast the volume in the June contract was light reaching only 7,510 lots by the close.

In traded options, turnover improved to reach 33,366 contracts with a sizeable part of the total due to tha March expiry in some of the stock options. The FT-SE 100 option traded 4,621 lots and the Euro FT-SE 100 option was also busy at 2,228.

In the stock options Sears was the most active, with most of the day's business said to have been closing March positions.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2860.6 -0.5	3138.0 -7.2	1405.00 -1.06

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2857.5	2857.4	2845.8	2858.5	2859.9	2858.3	2859.7	2855.7	2858.7	2860.8	2843.7
FT-SE Mid 250	3145.5	3144.7	3138.1	3141.0	3140.1	3130.8	3130.6	3138.6	3138.3	3146.1	3137.0
FT-SE-A 350	1421.1	1421.0	1415.9	1421.1	1419.2	1420.1	1420.2	1419.7	1421.7	1422.2	1416.2

Gross dividend yield (ACT at 25%) FT-SE 100: 4.24%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1648.2	1638.3	1637.8	1638.4	1638.3	1638.3	1638.3	1638.3	1638.3	1639.5	1648.3	-9.8
Health&H	1081.2	1080.2	1071.1	1070.0	1067.8	1066.6	1066.2	1062.7	1067.9	1067.7	1092.0	-24.3
Water	1472.5	1475.1	1466.0	1468.7	1468.7	1466.7	1466.4	1471.0	1470.8	1470.6	1476.1	-5.5
Banks	1581.8	1585.6	1578.8	1588.0	1585.6	1586.9	1587.7	1589.2	1589.9	1587.2	1578.4	+8.8

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		16¾xd	+⅛	21¼	14⅝	14,988	2.8
Allegheny & W.	♥	543p	–16	571p	226p	282.2	3.5
Amdahl		637p	—	1159p	438p	693.1	1.3
Amer Cyanamid		34⅞	+1	39⅝	28⅝	3,089	3.3
Amer Express		19⅞xd	+⅞	19½	10¼	9,281	3.6
Amer T & T		38¼xd	–⅛	40⅞	20¾	51,117	2.4
Ameritech		51⅛	—	52¾	32½	22,883	4.9
BankAmerica		34¼xd	–½	36⅛	19⅛	11,801	2.8
Bankers NY		46½xd	–⅛	61⅛	28⅝	3,973	4.3
Bell Atlantic		36⅛	—	39⅝	23⅛	16,838	6.1
BellSouth		36⅛	–⅛	39⅝	25	17,955	5.8
Bethlehem Steel	♥	13⅛xd	+⅛	13⅞	5¾	1,187	–
Bowater		1626pxd	+13	1662p	905p	888.2	1.7
CPC		30⅝xd	–⅛	34⅝	22⅞	4,600	2.9
Cadiz Land Inc	♥	118p	—	342p	106p	–	–
California Engy		1435p	—	1478p	591p	261.0	–
Chase Manhattan		22⅝xd	–⅛	24½	9⅝	3,636	3.6
Chrysler		26⅝xd	–⅛	28⅞	6¾	7,888	1.8
Citicorp		19⅝xd	+⅛	20⅛	5⅞	7,286	–
Colgate-Palm		43½xd	–1⅛	45⅝	25¾	6,945	2.0
Cont'l Bank		1820p	–38	1848p	489p	1,839	2.3
Dana		36⅝xd	+⅛	34⅞	14⅞	1,408	3.8
Data General		834p	–14	1084p	384p	238.1	–
Decoma Inds	♥	146p	—	146p	86p	–	–
Dun & Brad		40⅝	—	42⅝	27⅝	7,149	3.6
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

Tarmac; Titon; Travis Perkins; Tudor; Unigroup; Waterlow; Wickes; Wolseley — [illegible]

BUSINESS SERVICES

ADT $; Adams & Harvey; Air London; African Lakes; AutoTed Sys; BET; BNB Res.; BPP; Barbour Index; Boustead — [illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Europa Mins	15	—	82½	7	7.23	–
Glencar Expl IE ‡‡	7	—	16	6	1.29	–
Greenwich Res ♣□	12½	—	10½	2	9.84	–
Hartalo Gold C$	94½	—	25½	23½	478.9	2.1
Ivernia West IE ‡‡□	40	+2	53	30	24.1	–
Konzagra ♣□	7	—	8	2¼	0.72	–
Malinga Res	15½	—	66	6	1.71	–
Nevan Res IE ♦	30	—	34	16	4.02	–
5pc Ln Notes	31	—	34	25	5.64	–
Oryx Gold	55½	—	103	46¾	–	–
Platinum	30	—	13	3	1.27	–
RTZ ♣□	677xd	+6	704	469	6,760	3.8
Vizcaya ♣□	6¼	+¼	5¼	1	2.81	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
I Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT9981. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

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Annual subscription £250.00 stg.
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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♦) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♥) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.48	11.98	—	-
B.F. Offshore Inc Fd Ltd	£12.35	12.81	—	-
IMC Offshore Fd	$10.15	11.03	—	-
[illegible]	£11.96	12.26	—	-

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 0534 36833

Barclays International Funds
PO Box 152, St Helier, Jersey CI 0534 67888

Capital House Fund Mgrs (CI) Ltd
PO Box 189, St. Helier, Jersey 0534 74999

Northgate Unit Tst. Mngrs. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Lloyds Bank Trust Company (Channel Islands) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Schroder Worldwide Money Fund Ltd

Schroder Worldwide Selection Fd Ltd

E.T. Investment Management Ltd
13 Rue Goethe, BP 413, Luxembourg 010 352 4046461

Eagle Star - Global Assets Fund (u)
5 Rue Aldringen L-1118 Luxembourg

EquiFund-Wright National Eqty Fd (u) (x)
14 rue Aldringen, L-1118 Lux

Fidelity Funds (u)
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174

PRICOA Worldwide

Regent Global Fund

Schroder International

Sun Life Global

Templeton Global

IRELAND (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Belgian franc under pressure

THE BELGIAN franc stabilised inside the European exchange rate mechanism yesterday after Belgium's central bank raised its official interest rates in support of the currency, *writes James Blitz.*

The franc came under pressure inside the ERM after the government was unable to reach agreement on tax rises which would reduce its budget deficit, and offered its resignation to the King.

The offer of resignation, which was still being considered last night, raised concerns in the currency market because a reduction in Belgium's budget deficit is critical if the country is to meet the convergence criteria set out by the Maastricht treaty. At the start of trading, the Belgian currency moved to BFr20.65 against the D-Mark from a previous BFr20.59.

Although the movement was not great, the central bank has the informal goal of not allowing its currency to fluctuate by more than 25 basis points against the D-Mark in the ERM grid. Yesterday morning's fall for the Belgian franc amounted to a drop of 10 basis points, pushing the franc below the D-Mark in the grid at one stage.

The Belgian central bank countered the move by raising its emergency lending rate to 12 per cent from 9.75 per cent, and its central rate by 50 basis points to 8.50 per cent. By the close of trading, the franc was some 9 basis points above the D-Mark in the grid, closing at BFr20.62.

Some analysts suggested yesterday that the Belgian franc's problems could resurface, creating a serious problem for the ERM. Mr Mark Austin, a treasury economist at Midland Global Markets in London, said that Belgium might be able to bring its budget deficit within the 3 per cent of GDP, as set out by the Maastricht treaty. But its government debt, currently at 120 per cent of GDP would have to be halved by 1997, and this would prove extremely difficult.

However, Mr Mark Brett of Barclays de Zoete Wedd in London, said he was surprised at how easily the franc shrugged off the pressure. "If the market was going to have another full-blown crisis, surely this was one of the issues that would have been grist to the mill," he said.

The D-Mark stood stronger against several currencies after the Bundesbank left the rate at which it offers short-term funds to commercial banks unchanged at 8.25 per cent.

The German currency's strongest performance came against the Italian lira, closing in London at L978.1 from a previous L969.4. Sterling closed ½ a pfennig weaker against the D-Mark at DM2.4150, but the French franc closed a touch stronger at FFr3.401 from FFr3.404.

The dollar remained below DM1.63 to the D-Mark for most of the day, despite strong durable goods figures for February. The US currency closed at DM1.6285 from a previous DM1.6315.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.430	-2.62	3.55	44
Irish Punt	0.809996	0.799256	-1.33	2.20	48
Dutch Guilder	2.20045	2.18072	-0.90	1.76	32
D-Mark	1.95294	1.93994	-0.67	1.52	27
Belgian Franc	40.2802	40.0206	-0.64	1.50	16
Portuguese Escudo	159.624	160.261	-0.20	1.05	2
Danish Krone	7.44934	7.45596	0.09	0.75	-15
French Franc	6.54988	6.60519	0.84	0.00	-61

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar.24	Latest	Previous Close
£ Spot	1.4825-1.4835	1.4845 1.4855
1 month	0.38-0.36pm	0.39 0.38pm
3 months	1.05-1.02pm	1.06 1.03pm
12 months	3.34-3.24pm	3.35 3.27pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Mar.24	Previous
8.30	am	78.7	78.7
9.00	am	78.7	78.7
10.00	am	78.7	78.7
11.00	am	78.6	78.7
Noon		78.7	78.5
1.00	pm	78.7	78.5
2.00	pm	78.7	78.5
3.00	pm	78.8	78.7
4.00	pm	78.9	78.9

CURRENCY RATES

Mar 24	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.940360	0.803415
US Dollar	3.00	1.38863	1.18905
Canadian $	6.09	1.73287	1.48073
Austrian Sch	7.00	15.9401	13.6503
Belgian Franc	7.00	46.6367	40.0206
Danish Krone	10.60	8.69491	7.45596
D-Mark	7.50	2.26791	1.93994
Dutch Guilder	7.00	2.55286	2.18072
French Franc	10	7.71662	6.60519
Italian Lira	11.50	2198.17	1883.25
Japanese Yen	2.50	160.317	138.525
Norway Krone	-	9.62043	8.25144
Spanish Peseta	-	161.748	138.430
Swedish Krona	11.50	10.7272	9.24382
Swiss Franc	6.00	2.09669	1.79630
Greek Drach	19	N/A	264.220
Irish Punt	-	N/A	0.799256

$ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Mar 23

CURRENCY MOVEMENTS

Mar 24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	78.9	-30.98
U.S. Dollar	65.8	-12.50
Canadian Dollar	97.0	-5.42
Austrian Schilling	115.8	+17.25
Belgian Franc	116.4	+2.09
Danish Krone	119.3	+13.02
D-Mark	126.1	+22.64
Swiss Franc	109.7	+17.84
Dutch Guilder	120.2	+21.47
French Franc	110.1	-6.58
Lira	78.0	-36.25
Yen	183.8	+103.29
Peseta	91.8	-24.08

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Mar 23

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Mar 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4750 - 1.4860	1.4820 - 1.4830	0.38-0.36cpm	2.99	1.05-1.02pm	2.79
Canada	1.8390 - 1.8510	1.8460 - 1.8470	0.21-0.13cpm	1.10	0.40-0.28pm	0.74
Netherlands	2.7085 - 2.7200	2.7100 - 2.7200	⅛-½cdis	-1.93	1-1¼dis	-1.66
Belgium	49.65 - 49.90	49.75 - 49.85	10-16cdis	-3.13	27-39dis	-2.65
Denmark	9.2650 - 9.2960	9.2825 - 9.2925	5-9¼oredis	-9.21	20⅝-22⅞dis	-9.28
Ireland	0.9925 - 0.9985	0.9950 - 0.9960	0.37-0.41cdis	-4.70	1.03-1.11dis	-4.30
Germany	2.4090 - 2.4200	2.4125 - 2.4175	½-⅝pfdis	-2.80	1¼-1⅞dis	-10.48
Portugal	223.80 - 225.60	224.60 - 225.60	214-227cdis	-11.75	542-578dis	-9.95
Spain	171.55 - 172.65	172.30 - 172.60	134-165cdis	-10.44	394-427dis	-9.52
Italy	2335.40 - 2362.65	2361.00 - 2362.00	8-12cdis	-5.34	31-34dis	-5.50
Norway	10.2530 - 10.2920	10.2550 - 10.2650	1⅛-4⅛oredis	-3.44	6½-9½dis	-3.05
France	8.1990 - 8.2400	8.2075 - 8.2175	3⅞-4⅞cdis	-6.03	10⅝-13⅛dis	-5.84
Sweden	11.4290 - 11.5160	11.4925 - 11.5025	2⅞-5⅜oredis	-4.31	10⅞-13⅛dis	-4.13
Japan	171.15 - 174.30	172.75 - 173.75	½-¼ypm	2.60	1¼-1⅛pm	2.74
Austria	16.96 - 17.02	16.98 - 17.02	2¼-3½grodis	-1.65	5¼-7⅜dis	-1.57
Switzerland	2.2320 - 2.2430	2.2300 - 2.2400	⅜-¼cpm	1.68	½-⅜pm	0.78
Ecu	1.2445 - 1.2480	1.2465 - 1.2475	0.40-0.45cdis	-4.09	1.08-1.15dis	-3.58

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.95-1.90pm. 12 Month 3.35-3.25pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4750 - 1.4860	1.4820 - 1.4830	0.38-0.36cpm	2.99	1.05-1.02pm	2.79
Ireland†	1.4830 - 1.4955	1.4920 - 1.4930	0.97-0.92cpm	7.60	2.67-2.57pm	7.02
Canada	1.2440 - 1.2480	1.2440 - 1.2450	0.18-0.21cdis	-1.88	0.62-0.67dis	-2.07
Netherlands	1.8250 - 1.8390	1.8310 - 1.8320	0.75-0.78cdis	-5.01	2.07-2.13dis	-4.59
Belgium	33.50 - 33.75	33.55 - 33.65	16.00-18.00cdis	-6.07	45.00-50.00dis	-5.65
Denmark	6.2500 - 6.2810	6.2625 - 6.2675	6.00-8.00oredis	-13.41	17.00-20.50dis	-11.97
Germany	1.6225 - 1.6360	1.6280 - 1.6290	0.76-0.78pfdis	-5.67	2.05-2.08dis	-5.07
Portugal	151.20 - 151.75	151.25 - 151.35	179-186cdis	-14.47	463-488dis	-12.57
Spain	115.65 - 116.70	116.20 - 116.30	126-129cdis	-13.16	350-357dis	-12.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4⅞-4¾ per cent; four years 5⅜-5¼ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

Strike	Calls April	Calls June	Calls September	Puts April	Puts June	Puts September
115	-	2.27	-	-	0.41	-
116	-	1.58	-	0.03	0.69	-
117	0.12	1.00	1.59	0.22	1.10	-
118	0.07	0.58	1.12	-	-	-
119	-	0.28	-	-	-	-
Open Int.	27,726	185,807	35,275	15,151	129,287	30,408

Estimated volume 22,379 † Total Open Interest 433,711

† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4825	1.4788	1.4721	1.4632	1.4495

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Repo is unchanged

THE COST of German call money fell yesterday after the Bundesbank offered short-dated funds to German commercial banks at an unchanged rate, *writes James Blitz.*

There had been strong speculation on Tuesday night that the Bundesbank would accept bids for money market funds in its weekly operation at levels well above established rates, tightening conditions in the cash market.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Many banks had been preparing to bid aggressively for funds so as not to fall foul of Germany's new minimum reserve requirements at the end of the month.

As it turned out, the repo rate was unchanged at 8.25 per cent. In part, this was because the Bundesbank made another generous provision of liquidity to the tune of DM10.2bn.

Most of the bids were reported to be between 8.25 per cent and 8.27 per cent, and this also suggested that the Bundesbank encouraged some participants to bid for funds at the lower end of the range.

The repo allocation eased call money rates, which fell to 8.52 per cent from 8.58 per cent at the start of the day. The June Euromark contract also rose 4 basis points from its opening level, to peak at 92.94, although it later fell back to close at 92.86.

At this level it is pricing 3-month money in June at 7.14 per cent, some 75 basis points below yesterday's level for 3-month cash.

Sterling markets were very quiet. There were difficulties removing a small shortage forecast by the Bank of England at £550m, and this forced the overnight rate close to 7 per cent towards the end of the day. This may have been one reason why 3-month money closed slightly firmer at 6¼ per cent.

The prospect of another cut in UK base rates is dimming in the medium term, and some dealers are wondering whether the short-dated sterling yield curve might now go positive. "We now have rates flattish at 6 per cent, and there will be plenty of traders eager to climb aboard the positive curve if it materialises," said one dealer yesterday.

Others remain bullish on rate cuts. According to one dealer, a strong incentive for another cut is that 5-year gilt yields are too low compared to 1-year cash if they are to attract the £50bn of investment sought by the government. Five year gilt yields are at 6⅜ per cent compared to 5¾ per cent for cash.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.24)	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3¼	bid 3⅛	offer 3¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.00	Three year	4.31
Broker loan rate	5	Two month	3.11	Five year	5.14
Fed.funds	2⅞	Three month	2.97	Seven year	5.57
Fed.funds at intervention	-	Six month	3.11	10-year	5.91
		One year	3.28	30-year	6.78
		Two year	3.89		

Mar.24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.45-8.60	8.25-8.35	7.90-8.00	7.75-7.90	7.35-7.50	9.00
Paris	10⅞-11	11½-12	-	10¾-11¼	-	9.10
Zurich	5⅛-5⅝	5 1/16-5 5/16	-	5 1/16-5 5/16	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	3⅛-3 3/16	-	-	-	-	-
Milan	-	11⅞-11 7/16	-	11 7/16-11½	-	-
Brussels	9½-10	-	-	-	-	-
Dublin	-	-	-	-	-	-

LONDON MONEY RATES

Mar 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7	5⅞	6⅛	6 1/16	6	6
Interbank Bid	5¼	5¾	6	5 15/16	5⅞	5⅞
Sterling CDs.	-	-	6	5 15/16	5 13/16	5 13/16
Local Authority Deps.	5¾	5⅞	6	6	6	6
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5½	5¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6 1/16	6 1/16	6 1/16	6
Treasury Bills (Buy)	-	-	5 11/16	5 9/16	5 7/16	-
Bank Bills (Buy)	-	-	5¾	5⅝	5½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.99	3.05	3.11	3.35
SDR Linked Dep. Offer	-	-	5⅛	4 13/16	4 13/16	4⅝
SDR Linked Dep. Bid	-	-	4 13/16	4 11/16	4 11/16	4½
ECU Linked Dep. Offer	-	-	8 11/16	8⅝	8⅜	8⅛
ECU Linked Dep. Bid	-	-	9 1/16	9⅛	8¾	8¼

Treasury Bills (sell): one-month 5⅝ per cent; three months 5⅛ per cent; six months 5⅛ per cent; Bank Bills (sell): one-month 5 11/16 per cent; three months 5 9/16 per cent; Treasury Bills; Average tender rate of discount 5.4667. ECGD Fixed Rate Sterling Export Finance. Make up day February 26, 1993. Agreed rates for period March 24, 1993 to April 26, 1993, Scheme I: 7.35 p.c., Schemes II & III: 7.47 p.c. Reference rate for period January 30, 1993 to February 26, 1993, Scheme IV&V: 6.278 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7 from March 1, 1993: Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¾ per cent from Jan.27, 1993, Deposits withdrawn for cash 1¼ per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

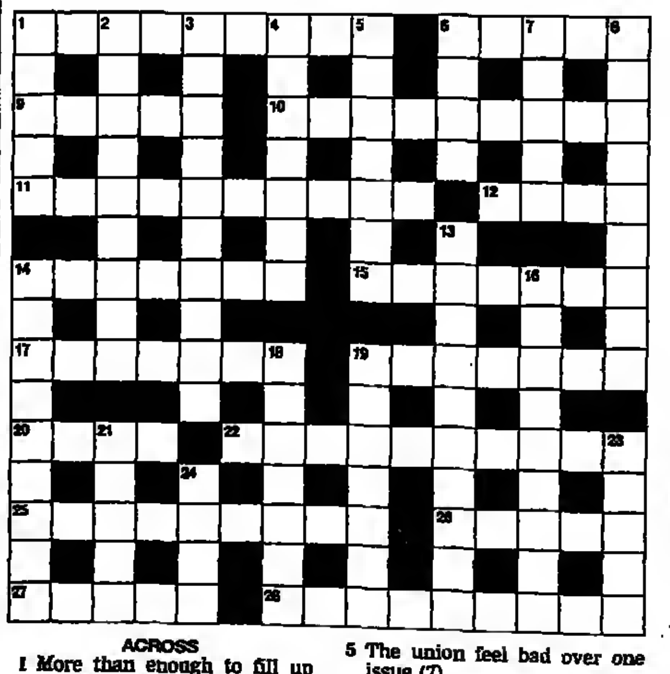
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,110 Set by ADAMANT



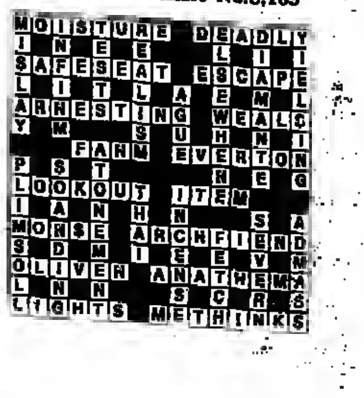
ACROSS

1 More than enough to fill up ten different forms (9)
6 Mob a fellow yon set your sights on holding back (5)
9 Loose international bond (5)
10 In the manner of one who loosely stitches semi-transparent material .... (9)
11 .... and loves to put pin in dress hanging down (10)
12 Mistake for a fielder (4)
14 Lieut North's new tool (7)
15 A number of miners have real difficulty (7)
17 Threatens to come down on the rag and bone men (7)
19 Spared a rerun of "Cavalcade" and such shows (7)
20 A brief moment on the satellite (4)
22 Competitor given a trial, but can't get round (10)
25 Drudgery of having to study libertarian author after tea is called (9)
26 Drive about a mile outside capital of Portugal (5)
27 £500? Lost a thousand? It's still wealth! (5)
28 Nag about being in America as it fails to make economic progress (9)

DOWN

1 Cash enclosure (5)
2 Outgoing minister making comeback in former Marxist setting (9)
3 Oversteps the mark (10)
4 Hide one's ignorance of textile product (7)
5 The union feel bad over one issue (7)
6 Some people came along to dinner (4)
7 A pound of butter first could be deadly (5)
8 Keep in Greece (9)
13 Vague idea that permission could be forthcoming (10)
14 Last word about tumult around 1am (9)
16 Official welcome at Yorkshire resort, my dear (3,6)
18 Unfortunately tries so many lies (7)
19 Spanish dish which included a T-bone (7)
21 Once a movement ruffled the water (5)
23 Massage salt round bend of anklebone (5)
24 Unsettled at the border (4)

Solution to Puzzle No.8,109



WORLD STOCK MARKETS

CANADA

INDICES

	Mar 19	Mar 12	Mar 5	year ago (approx.)
Dow Industrial Div. Yield	2.85	2.88	2.89	2.80
	Mar 17	Mar 10	Mar 3	year ago (approx.)
S & P Industrial div. yield	2.49	2.44	2.48	2.81
S & P Indl. P/E ratio	28.13	26.82	26.16	26.81

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
First Data	7,112,900	33	+ 1⅛
Merck	3,219,100	37	+ 1¼
Chrysler	2,955,400	38⅝	- ⅛
RJR Nabisco	2,606,300	8⅞	+ ¼
Wal-Mart	2,520,800	32¾	- ¼
Woolworth	2,468,300	20⅞	+ ⅛
Sleep	2,073,400	18⅞	+ ⅛
Storage Ls	2,071,000	42⅞	- 2
Gen Motors	2,016,700	38¾	---
Amer Express	1,618,600	28⅞	+ ⅛

TRADING ACTIVITY

† Volume Millions	Mar 23	Mar 22	Mar 19
New York SE	253.317	231.800	293.880
Amex	12.845	14.253	16.558
NASDAQ	228.148	213.030	235.842
NYSE			
Issues Traded	2,484	2,484	2,478
Rises	891	663	833
Falls	979	1,273	1,041
Unchanged	623	608	604
New Highs	89	101	130
New Lows	24	51	14

CANADA TORONTO

	Mar 23	Mar 22	Mar 19	Mar 16	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2958.58	2956.52	2906.74	2838.08	3236.87 (15/1/92)	2620.81 (17/11/92)
Composite	3608.73	3590.74	3579.89	3569.30	3660.00 (16/1/92)	3135.40 (14/10/92)
MONTREAL Portfolio	1858.53	1852.81	1852.18	1841.89	1937.00 (16/1/92)	1683.15 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, 83.20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday March 24, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.0m	327	-3	Tokyu Corp	3.8m	740	+12
NEC Corp	5.2m	772	+10	Mitsui Min & Sml	3.3m	443	-8
Fujikura Ltd	5.1m	878	+33	Fujitsu Ltd	3.0m	605	+20
Kansai Electric	5.0m	1,080	+60	Mitsubishi Heavy	3.0m	550	-6
Gajoen Kanko	4.0m	305	+25	Furukawa Elec	2.8m	507	+19

4 pm close March 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close March 24

[illegible]

AMEX COMPOSITE PRICES

4 pm close March 24

[illegible]

AMERICA

Dow lower as Merck issues profits warning

Wall Street

US EQUITIES gave up slim early gains to move lower yesterday morning following a renewed sell-off in drug stocks on news that Merck, the pharmaceuticals group, planned to cut jobs because of a slowdown in earnings growth, *writes Karen Zagor in New York*.

At 12.30pm, the Dow Jones Industrial Average was 11.62 lower at 3,450.24. The Dow managed to rise more than 10 points in morning trading before program-selling kicked in, sending the index lower.

The more broadly based Standard & Poor's 500 was down 0.77 at 447.99, while the Nasdaq composite eased 0.41 at 674.68.

Trading volume on the NYSE was more than 145m shares by 12.30 pm, and declines had a slight edge on rises, by 866 to 828.

On Tuesday, the Dow slipped 3.62 to 3,461.86.

Merck plunged $3¾ to a 52-week low of $33⅞ in very heavy trading.

The company's announcement that its profits growth would start slowing in the first quarter of this year was released after the market had closed on Tuesday.

The news prompted analysts to reduce earnings forecasts for a number of pharmaceutical companies, including Pfizer and Schering-Plough, which lost $2⅝ to $57⅞ and $3⅛ to $56⅞ respectively.

Other actively-traded drugs stocks included Glaxo Holdings, down $⅝ at $17⅞, Bristol-Myers Squibb, off $1 at $57⅛ and Abbott Laboratories, $1⅛ lower at $23⅞.

Some cyclical and oil stocks held their own in morning trading, helping to limit the impact of the drug sector selling. International Paper held steady at $65½ and Exxon firmed $⅞ to $65.

In the car sector, Ford Motor eased $¼ to $52⅞, General Motors fell $1¼ to $39⅝ and Chrysler added $⅝ to $39.

Ford reported improved mid-March sales for US cars and trucks, but General Motors saw US car sales slide in the same period, although its truck sales showed strong gains.

Carnival Cruise Lines plummeted $4 to $33⅞ after posting disappointing first quarter net income. Although earnings in the three months rose to 36 cents a share from 33 cents, analysts had expected a stronger performance.

Pessimism about the outlook for healthcare companies leached into the Nasdaq market, where shares in biotechnology companies lost ground including Amgen, down $1⅝ to $34⅛ and Chiron, off $2 at $47⅞.

Technology issues, however, moved higher. Microsoft was up $2⅛ at $85⅞, Intel gained $⅞ at $112⅞, Dell Computer firmed $1⅛ to $35 and Apple Computer added $⅞ to $53⅞.

Canada

TORONTO was helped higher at midsession by solid gains in oil and gas shares and continued interest in forest stocks. Bank shares were also traded heavily as investors assessed the Royal Bank of Canada's purchase of most of Royal Trustco's assets.

The TSE-300 index rose 1.97 to 3,600.70 in volume of 30.2m shares valued at C$360m. Advances led declines by 242 to 214 with 303 issues unchanged.

Actives were led by the Royal Bank of Canada, which was flat at C$25⅝ in volume of 3.6m shares.

SOUTH AFRICA

GOLD shares were lower on a weaker bullion price and the index closed off 22 at 1,121. The overall index finished down 6 at 3,516 while industrials dipped 9 to 4,457. Vaal Reefs shed R3.50 to R196.50 and Kloof 75 cents to R33.75.

EUROPE

Individual equity moves dominate senior bourses

INDIVIDUAL equities made most of the headlines on senior bourses, *writes Our Markets Staff*.

FRANKFURT focused on carmakers. A rise of more than 4 per cent in Volkswagen brought the sector up with it, Daimler putting on DM11 to DM605.50 during the official session as the DAX index rose 10.01 to 1,659.45; but in the afternoon, Daimler gained impetus of its own as plans for a new listing indicated an extraordinary profit of over DM4bn for 1992, applying Anglo-Saxon accounting treatment to its hidden reserves. Turnover rose from DM6bn to DM7bn.

Mr Christopher Will, European automotive analyst at Lehman Brothers, added his weight to the arguments for VW with a buy recommendation. He acknowledged that the industry's situation was precarious, with German vehicle production in February showing a 30 per cent decline compared with a year earlier.

However, he said, people were beginning to believe that the combination of Mr Ferdinand Piech, VW's new chief executive, with Mr Ignacio Lopez, just recruited as production and component purchasing head from General Motors (he is apparently importing a team with him from Detroit) offered a prospect of high returns from a company with huge scope for cost cutting.

German sources, late in the day, were inclined to think that the market could be overestimating the influence of Mr Lopez and that equities in general could suffer if rumours of an inflation rate of 5 per cent in the state of Hesse turned out to be accurate.

PARIS saw strong trade in Eurotunnel, with some 3m shares traded early in the session, mainly by foreign institutions, while LVMH also made gains on reports of a positive brokers report. The shares made respective gains of 50 cantimes to FFr39.50 and FFr102 to FFr3,547.

The CAC-40 index picked up 2.39 to 1,954.57 in turnover of FFr2.8bn.

Carnaud Metalbox, up FFr2 to FFr236, was again heavily traded. A report by the Paris brokers, Ferri, earlier this week noted that MB-Caradon and CGIP, which together hold the controlling interest, will sell their stakes jointly to an unnamed industrial buyer.

Ferri suggested a possible price in the region of up to FFr300 per share, which could rule out Pechiney International, rumoured to be interested, which is already burdened by large debt. Other possible buyers include groups in the US and Germany, the broker added.

MILAN was unsettled by signs that the budget deficit was once again running off target and shares turned in a mixed performance with the Comit index ending 1.92 lower at 485.59.

Privatisation stocks were, however, beneficiaries of the deteriorating PSBR figures on suggestions that the government might accelerate the programme to raise cash.

Separately, Credito Italiano, the state bank put up for sale last year, gained L90 to fix at L2,600 but then surged to L2,720 after hours – 8.4 per cent up on the day – on rumours that a buyer had been found. Deutsche Bank, at the centre of speculation that it might take a stake, denied that it had plans to buy.

Montedison fell L68 or 5.5 per cent to L1,163 at its official fixing but picked up after hours to L1,195 as it denied market rumours that it was planning a capital increase.

ZURICH marked time ahead of results from Nestlé but subsequent profit-taking left the SMI index 19.5 lower at 2,146.8.

Nestlé fell in line with the market, its 9.2 per cent rise in 1992 net profit proving in line with expectations but a 1-for-25 rights issue, and plans to swap bearers into registered shares put pressure on the stock. The bearers fell SFr15 to SFr1,165.

Bearers in Ascom, the telecommunications equipment maker, which said on Tuesday that 1992 profits would be halved, fell SFr50 to SFr1,390.

MADRID got the better headline inflation rate which the equity market discounted on Tuesday, but the underlying rate of 5.9 per cent was more or less in line with expectations and the general index chose to focus on this as it closed 0.13 lower at 234.48.

Sevillana, the utility, fared likewise. Although the company said that it would pay an unchanged dividend of Pta43 after a Pta11 cut at the interim stage, the shares closed Pta5 lower at Pta437 for a yield of very nearly 10 per cent.

BRUSSELS regained some ground late in the session on technical trading, but the Bel-20 index still closed down 9.41 at 1,246.91 as the market reacted to the prime minister's resignation and the increase in the emergency lending rate. Turnover was some BFr1.27bn.

STOCKHOLM saw foreign interest in Ericsson, up SKr5 at SKr247, but the Affärsvärlden general index slipped 0.7 to 982.3. Turnover was some SKr722m. OSLO recovered, the all-share index rising 6.18 to 439.38 in NKr375.45m. The industry index, which includes oil stocks, rose 9.41 to 776.06, Norsk Hydro adding NKr2.50 to NKr172.

COPENHAGEN was again dominated by activity in Baltica Holding which moved in a range between DKr103 and DKr60 before closing DKr18.21 lower at DKr76.79. The KFX index lost 0.15 to 79.05 in turnover of DKr424m. Den Danske Bank, which has a 32 per cent stake in Baltica, rallied DKr3 to DKr310.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

March 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1125.21	1127.80	1128.54	1129.78	1130.95	1131.34	1130.52	1130.56
FT-SE Eurotrack 200	1196.09	1198.10	1199.45	1200.89	1201.93	1201.75	1201.61	1202.55

	Mar 23	Mar 22	Mar 19	Mar 18	Mar 17
FT-SE Eurotrack 100	1131.55	1129.55	1145.37	1148.55	1148.10
FT-SE Eurotrack 200	1203.95	1204.64	1223.70	1222.53	1214.92

Base value 1000 (26/10/90) High/day: 100 - 1132.12 200 - 1203.54 Low/day: 100 - 1125.49 200 - 1194.14

ASIA PACIFIC

Tokyo declines on late selling by investment trusts

Tokyo

THE NIKKEI average gave up early gains to close marginally lower as late afternoon selling by investment trusts and corporations depressed share prices, *writes Emiko Terazono in Tokyo*.

The index average closed down 40.93 at 18,450.69 after a high of 18,643.62 and a low of 18,423.40. It rose in the morning on arbitrage buying, but fell on position adjustment before the March-end book-closing.

Volume totalled 350m shares against 376m as declines led advances by 570 to 440, with 153 unchanged. The Topix index of all first section stocks fell by 2.48 to 1,395.43.

Some investors blamed political uncertainty in Russia for their reluctance to participate in the markets. Traders said the dollar remaining below the Y116 level against the yen also gave investors an excuse to remain inactive.

Some analysts also noted that the Nikkei's surge in the past two weeks, accompanied by a sharp rise in trading volume, may not have reflected genuine investor interest.

One analyst said that the government had pumped in extra public funds to counter the expiry of margin positions created last September, arbitrage selling and liquidation of holdings by corporate investors.

A rise in selling and buying levels had activated trading, he said, but "things would return to normal".

Nippon Telegraph and Telephone was heavily traded, rising Y9,000 to Y810,000. Telecommunications related issues also rebounded on NTT's rise: Fujikura, the cable maker, gained Y33 to Y678 and Furukawa Electric firmed Y19 to Y507.

Steels and shipbuilders were lower on profit-taking: Nippon Steel, the day's most active issue, fell Y3 to Y327, and Mitsubishi Heavy Industries lost Y8 to Y550.

High-technology issues were lower on the higher yen with Hitachi falling Y8 to Y752 and Sony losing Y50 to Y4,100. However, Fujitsu gained Y20 to Y605 on buying by US pension funds.

Construction companies lost ground on continuing investigations by prosecutors of their links with Mr Shin Kanemaru, the former kingmaker of the ruling Liberal Democratic Party, currently under detention for alleged tax evasion. Taisei fell Y16 to Y639 and Obayashi Road lost Y30 to Y1,670.

Speculation that game manufacturers would post firm earnings for the current year boosted Nintendo, the video game maker, which rose Y20 to Y9,510. Sega Enterprises was also strong, advancing Y100 to Y10,800.

In Osaka, the OSE average closed down 21.89 to 18,440.50 in volume of 102.1m shares.

Roundup

HONG KONG and Manila apart, the region's equity markets were not inspired yesterday. Kuala Lumpur, Jakarta and Bombay were closed for public holidays.

HONG KONG saw indications of a delay in legislative consideration of the governor's democratic reform proposals and bullish expectations on the property front as the Hang Seng index rose 94.24, or 1.5 per cent to 6,212.19.

Turnover rose from HK$2.24bn to HK$2.84bn. Property stocks rose on hopes that the government will relax its ceiling on banks' mortgage lending which, developers say, would encourage more buying. The properties index jumped 207.07, or 2.2 per cent to 9,659.56.

The good corporate results season continued with a 48 per cent jump in interim profits at New World Development, which rose 40 cents to HK$19.10. Sun Hung Kai Properties rose HK$1.25 to HK$32.00 ahead of tomorrow's earnings figures.

MANILA staged a rebound in light volume, the composite index rising 17.05 to 1,460.30 aided by Philippine Long Distance Telephone gains in New York. On the domestic market, PLDT closed 30 pesos higher at 900 pesos.

AUSTRALIA firmed, but price moves generally were small as investors remained wary about developments in Russia. The All-Ordinaries index rose 3.6 to 1,663.1 in turnover down from A$276m to A$255m. Tuesday's cut in interest rates lifted bank shares, with Commonwealth up 12 cents to A$8.04, National Australia 4 cents to A$8.81 and ANZ 2 cents better at A$3.46.

NEW ZEALAND echoed Australia's Russia worries, and the NZSE-40 index finished down 4.62 at 1,553.25, turnover thinning from NZ$24.3m to NZ$18.6m.

TAIWAN heard that construction of a sixth, T$200bn naphtha cracker project is expected to start in early April. Plastics rose and Formosa Plastics, the biggest investor in what is Taiwan's largest investment project, put on T$1.60 to T$42.60. The weighted index closed 7.45 higher at 4,654.68.

Bundesbank rates cut lights the fuse

Michael Morgan looks at European equity turnover in February

The Bundesbank's move to cut interest rates early in February, and the confidence this engendered for further cuts in Germany and elsewhere, provided the key for a sharp rise in trading volume in most of the European bourses during the month.

"Rising volumes reflect strong markets," says Mr James Cornish of NatWest Securities, noting that the FT-A Europe index recorded a 5.1 per cent rise in January, as investors planned their hopes on lower rates.

Germany was by far the largest beneficiary of the Bundesbank's rate cut on February 4 and the welcome given to the move by investors was reflected in a 46 per cent rise in bourse turnover for the month, compared with January. This also represented a 50.6 per cent increase on the average for November to January and the highest level since January, 1992.

"After a period of fairly level volumes from the beginning of the year, they began to pick up in the second week of February and have remained at these high levels until the last few days as concern has grown over developments in Russia," says Mr Cornish.

Across Europe, month-on-month turnover rose by 15.3 per cent in February after the 12.5 per cent increase registered during January.

Paris, initially churlish on the grounds that the Bundesbank had done no more than it had to, turned its attention to financial stocks and the market remained in a state of high expectation throughout February that there could be more good news on rates.

This took Paris turnover up 20.0 per cent to the highest level since last September.

The Netherlands began the month in a gloomy mood with Daf filing for protection from creditors and doubts over Fokker's sale to Deutsche Aerospace. However, the overall mood was not soured and turnover rose by 15.1 per cent to the highest level since August 1990, 29.9 per cent up on the average of the previous three months.

Italy demonstrated its independence with a rates cut of its own, only hours before the German reduction. But it also suffered traumas with the ever widening political corruption scandals. But strong demand for blue chips spurred an 11.5 per cent rise in trading on the month.

Spain edged just 1.8 per cent higher: the market's underperformance reflected disappointment at upward pressures on interest rates. The lack of international interest in the market was demonstrated by a 7.7 per cent decline in volume on SEAQ International, the London screen-based system for international stocks.

Switzerland fell 21.1 per cent to more normal levels after January's steep rise, but February was still 12.3 per cent higher than the average of the previous three months.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Nov 1992	Dec 1992	Jan 1993	Feb 1993	US $bn
Belgium	43.93	43.35	62.75	57.35	1.89
France	92.39	120.72	108.68	127.96	22.94
Germany	92.20	82.80	81.67	133.88	81.58
Italy	24,248.80	14,210.72	25,143.2	28,045.20	17.66
Netherlands	11.70	12.50	14.60	16.80	9.10
Spain	619.31	790.00	653.20	664.91	5.68
Switzerland	11.60	13.10	22.30	17.60	11.53
UK	39.57	39.05	42.80	43.58	62.05

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY MARCH 23 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 22 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	137.68	-1.6	137.59	100.69	116.79	129.53	-0.1	3.81	139.98	139.47	102.33	119.17	129.71	153.68	108.18	143.74
Austria (18)	141.21	-1.1	141.13	103.28	118.78	119.94	-1.2	1.89	142.84	142.33	104.48	121.61	121.43	186.70	131.16	159.82
Belgium (42)	149.59	+1.4	149.50	109.40	126.88	124.14	+1.1	4.89	147.60	147.06	107.89	125.65	122.85	152.27	131.19	137.21
Canada (113)	125.27	+0.1	125.20	81.61	106.25	113.21	+0.3	2.94	125.15	124.70	91.49	106.54	112.83	142.12	111.38	129.64
Denmark (33)	196.95	+0.8	196.83	144.05	167.06	167.96	+0.2	1.37	195.81	195.09	143.15	166.70	187.64	273.94	181.70	231.06
Finland (23)	73.12	-1.2	73.08	53.48	62.02	90.54	-1.6	1.40	73.98	73.71	54.09	62.98	81.99	89.80	52.84	77.12
France (98)	156.81	+0.9	156.51	114.53	132.83	136.40	+0.6	3.21	155.22	154.68	113.47	132.13	135.62	188.75	136.93	149.18
Germany (62)	111.14	-0.4	111.07	81.29	94.27	94.27	-0.8	2.25	111.60	111.20	81.60	95.01	95.01	129.69	101.59	116.17
Hong Kong (55)	245.15	+1.1	245.00	179.29	207.95	243.32	+1.0	3.79	242.56	241.70	177.33	206.52	240.80	262.28	176.38	210.17
Ireland (16)	148.14	-1.0	148.05	108.35	125.66	140.24	-1.4	3.74	149.69	149.14	109.43	127.43	142.22	173.71	122.98	157.41
Italy (73)	57.31	+1.9	57.29	41.91	48.91	67.68	+1.6	2.94	56.43	56.23	41.25	48.04	66.62	80.66	47.47	70.19
Japan (472)	121.35	-1.3	121.28	88.75	102.95	88.75	-1.2	0.94	122.91	122.46	86.85	104.65	89.85	140.95	87.27	106.63
Malaysia (69)	277.33	+0.3	277.16	202.82	235.23	277.43	+0.4	2.41	276.49	275.48	202.12	235.38	276.43	282.42	212.49	246.22
Mexico (18)	1534.24	-0.8	1533.30	1122.08	1301.36	5227.79	-0.9	1.15	1548.23	1542.66	1131.87	1318.11	5278.52	1788.77	1185.84	1754.41
Netherland (24)	165.52	+0.1	165.41	121.05	140.40	138.62	-0.1	4.08	165.27	164.67	120.82	140.70	138.79	169.70	147.88	146.05
New Zealand (13)	45.71	-1.7	45.69	33.44	38.78	45.59	-0.9	4.80	46.50	46.33	33.99	39.58	46.00	48.52	37.39	44.86
Norway (22)	151.12	-0.5	151.03	110.53	128.19	142.30	-0.8	1.85	151.96	151.40	111.09	129.37	143.18	192.95	128.05	170.82
Singapore (36)	218.58	-0.1	218.45	159.86	185.40	165.35	-0.1	2.01	218.78	217.98	159.94	186.25	165.54	229.63	179.65	207.34
South Africa (60)	171.31	-0.1	171.20	125.28	145.30	171.93	-0.2	2.93	171.48	170.88	125.36	145.98	172.22	263.60	134.21	227.21
Spain (46)	126.55	+0.8	126.47	92.55	107.34	111.69	+0.8	5.40	125.59	125.13	81.81	106.92	111.03	161.72	107.10	150.50
Sweden (36)	156.05	-0.3	155.95	114.13	132.37	178.63	-0.2	1.95	156.58	156.01	114.47	133.30	178.95	200.28	149.69	186.99
Switzerland (56)	115.08	+0.4	115.01	84.17	97.63	107.84	+0.2	2.00	114.58	114.17	83.77	87.58	107.56	122.37	95.99	97.85
United Kingdom (226)	171.85	-0.4	171.75	125.87	145.75	171.75	-0.1	4.29	172.57	171.94	126.14	146.90	171.94	200.07	161.88	168.94
USA (522)	183.01	+0.0	182.90	133.85	155.24	183.01	+0.0	2.77	183.08	182.41	133.84	155.87	183.08	188.27	160.92	167.09
Europe (775)	140.31	+0.1	140.22	102.62	119.02	131.54	+0.0	3.52	140.24	139.73	102.52	118.39	131.51	156.89	131.31	139.94
Nordic (114)	146.52	-0.2	146.43	107.19	124.26	146.20	-0.2	1.75	146.81	146.28	107.33	124.99	146.56	188.52	141.24	173.35
Pacific Basin (715)	125.80	-1.1	125.72	92.00	106.70	94.72	-1.0	1.26	127.24	126.78	93.02	108.32	95.70	141.97	93.70	111.39
Euro-Pacific (1490)	131.62	-0.6	131.54	96.25	111.63	109.62	-0.8	2.25	132.44	131.96	96.81	112.74	110.25	145.21	113.80	123.05
North America (635)	179.42	+0.0	179.31	131.24	152.21	178.28	+0.0	2.78	179.47	178.82	131.22	152.82	178.31	182.38	158.70	164.72
Europe Ex. UK (549)	120.89	+0.4	120.81	88.43	102.56	109.16	+0.1	2.98	120.44	120.00	88.06	102.55	109.03	132.98	111.33	121.93
Pacific Ex. Japan (243)	169.58	-0.2	169.48	124.03	143.84	155.20	+0.4	3.48	169.91	169.29	124.23	144.67	154.54	175.31	148.06	158.33
World Ex. US (1681)	132.67	-0.6	132.59	97.04	112.54	111.68	-0.5	2.27	133.46	132.98	97.58	113.63	112.29	146.91	115.99	125.50
World Ex. UK (1977)	146.41	-0.4	146.33	107.09	124.20	129.82	-0.4	2.28	146.94	146.41	107.43	125.11	130.28	150.58	127.21	135.68
World Ex. So. Af. (2143)	148.60	-0.4	146.51	108.69	126.05	133.20	-0.3	2.47	149.14	148.60	109.04	126.98	133.64	153.05	130.04	138.01
World Ex. Japan (1731)	164.58	+0.0	164.48	120.38	139.62	159.40	+0.0	3.05	164.62	164.02	120.35	140.16	159.39	166.44	151.93	156.73
The World Index (2203)	148.64	-0.4	148.56	108.72	126.09	133.56	-0.3	2.47	148.18	148.64	109.07	127.02	134.01	153.70	130.66	138.58

Latest prices were unavailable for this edition.